EXHIBIT A

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re CATHODE RAY TUBE (CRT) ANTITRUST LITIGATION

This Document Relates to:

Electrograph Systems, Inc., et al. v. Hitachi, Ltd., et al., No. 11-cv-01656;

Siegel v. Hitachi, Ltd., et al., No. 11-cv-05502;

Best Buy Co., Inc., et al. v. Hitachi, Ltd., et al., No. 11-cv-05513;

Target Corp, et al. v. Chunghwa Picture Tubes, Ltd., et al., No. 11-cv-05514;

No.: 3:07-cv-05944 SC
MDL No. 1917
Judge: Hon. Samuel Conti

OBJECTIONS AND RESPONSES OF DEFENDANTS PANASONIC CORP. OF NORTH AMERICA, MT PICTURE DISPLAY CO., LTD. AND PANASONIC CORP. (F/K/A MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.) TO DIRECT ACTION PLAINTIFFS' FIRST SET OF REQUESTS FOR ADMISSION

Interbond Corporation of America v. Hitachi, *et al.*, No. 11-cv-06275;

Office Depot, Inc. v. Hitachi Ltd., *et al.*, No. 11-cv-06276;

CompuCom Systems, Inc. v. Hitachi, Ltd., *et al.*, No. 11-cv-06396;

P.C. Richard & Son Long Island Corporation, et al. v. Hitachi, Ltd., *et al.*, No. 12-cv-02648;

Schultze Agency Services, LLC, et al. v. Hitachi, Ltd., *et al.*, No. 12-cv-02649;

Tech Data Corp., *et al. v. Hitachi, Ltd.*, *et al.*, No. 13-cv-00157;

Siegel v. Technicolor SA, *et al.*, No. 13-cv-05261;

Sears, Roebuck & Co., *et al. v. Technicolor SA*, *et al.*, No. 13-cv-05262;

Best Buy Co., Inc., *et al. v. Technicolor SA*, *et al.*, No. 13-cv-05264;

Schutlze Agency Services, LLC v. Technicolor SA, *et al.*, No. 13-cv-05668;

Target Corp., *v. Technicolor SA*, *et al.*, No. 13-cv-05686;

Electrograph Systems, Inc., *et al. v. Technicolor SA*, *et al.*, No. 13-cv-05724;

P.C. Richard & Son Long Island Corporation, et al. v. Technicolor SA, *et al.*, No. 13-cv-05725;

Office Depot, Inc., *v. Technicolor SA*, *et al.*, No. 13-cv-05726;

Interbond Corporation of America v. Technicolor SA, *et al.*, No. 13-cv-05727.

Pursuant to Rules 26 and 36 of the Federal Rules of Civil Procedure, Defendants Panasonic Corporation of North America ("PNA"), MT Picture Display Co., Ltd. ("MTPD"), and Panasonic Corporation, f/k/a Matsushita Electric Industrial Co., Ltd. ("Panasonic Corp.," and together with PNA and MTPD, the "Panasonic Defendants") hereby make the following objections and responses to the Direct Action Plaintiffs' ("Plaintiffs") First Set of Requests for Admission, dated May 23, 2014 (the "DAP RFAs").

GENERAL OBJECTIONS

Each and every one of the following general objections is incorporated into the specific responses below as if set forth in full therein:

1. Panasonic Defendants object to the DAP RFAs to the extent they are duplicative or unreasonably cumulative of the voluminous other discovery propounded and/or produced in this Multidistrict Litigation including, without limitation, Panasonic Defendants' responses to: Direct Purchaser Plaintiffs' First Set of Requests for Production of Documents, dated June 4, 2008; Indirect Purchaser Plaintiffs' First Set of Requests for Production of Documents, dated June 10, 2008; Direct Purchaser Plaintiffs' Second Set of Requests for Production of Documents, dated March 12, 2010; Indirect Purchaser Plaintiffs' Second Set of Requests for Production of Documents, dated March 25, 2010; Direct Purchaser Plaintiffs' Third Set of Requests for Production of Documents, dated September 22, 2011; as well as Panasonic Defendants' responses to Interrogatories and Initial Disclosures.

2. Panasonic Defendants object to the DAP RFAs to the extent they seek facts, evidence and/or conclusions concerning defenses raising questions of law or issues on which Plaintiffs, not Panasonic Defendants, bear the burden of proof.

3. Panasonic Defendants object to the DAP RFAs to the extent they seek information or seek to impose burdens and requirements upon Panasonic Defendants that exceed or differ from the requirements of the Federal Rules of Civil Procedure, the Local Rules for the Northern District of California, or any order of this Court.

4. Panasonic Defendants object to the DAP RFAs to the extent they seek information not relevant to the issues raised in this lawsuit and not reasonably calculated to lead to the

discovery of admissible evidence.

5. Panasonic Defendants object to the DAP RFAs to the extent that they are overly broad and unduly burdensome.

6. Panasonic Defendants object to the DAP RFAs to the extent that they are vague, ambiguous or susceptible to more than one interpretation.

7. Panasonic Defendants object to the DAP RFAs to the extent that individual requests contained therein are needlessly duplicative of one another.

8. Panasonic Defendants object to the DAP RFAs to the extent they seek information or documents that reflect, refer to, or relate to the ongoing criminal grand jury investigation concerning CRTs in contravention of the Court's Order to Extend Limited Discovery Stay, dated October 27, 2010.

9. Panasonic Defendants object to the DAP RFAs on the ground that they seek any information or any document that is subject to attorney-client privilege, work product protection, joint defense or common interest privilege, or any other applicable doctrine, privilege, protection or immunity from production. The inadvertent or mistaken provision of any documents subject to any such doctrine, privilege, protection or immunity from production shall not constitute a general, inadvertent, implicit, subject-matter, separate, independent or other waiver of such doctrine, privilege, protection or immunity from production, and does not put in issue or constitute affirmative use of the advice of counsel defense or of any privileged communications.

10. Panasonic Defendants object to the DAP RFAs to the extent that any request, definition, or instruction seeks information in the possession, custody or control of Plaintiffs, or that is equally or more readily available to Plaintiffs from other defendants, third parties, publicly available sources, or otherwise.

11. Panasonic Defendants object to every request, definition and instruction to the extent it purports to require Panasonic Defendants to provide information on behalf of persons or entities other than Panasonic Defendants. Panasonic Defendants are incapable of providing information on behalf of other persons and entities, and will respond accordingly.

12. Panasonic Defendants object to the DAP RFAs to the extent that they seek

information or documents from entities that are not a party to this case, including but not limited to Panasonic Defendants' parents, subsidiaries, affiliates or sibling corporations or companies.

13. Panasonic Defendants object to the DAP RFAs as overbroad, unduly burdensome, and not reasonably calculated to lead to the discovery of admissible evidence, to the extent that the DAP RFAs seek any information from Victor Company of Japan, Ltd., JVC Americas Corp., JVC Company of America or JVC Kenwood Holdings, Inc. ("JVC Companies"). The JVC Companies are not parties to this case and Panasonic Defendants do not own or control them.

14. Panasonic Defendants object to the DAP RFAs as overbroad, unduly burdensome, not reasonably calculated to lead to the discovery of admissible evidence, and irrelevant, and to the extent that the DAP RFAs seek any information from Sanyo Electric Co., Ltd., Sanyo North America Corporation or Sanyo Manufacturing Corp. ("Sanyo Companies"). The Sanyo Companies are not parties to this case and none of the Panasonic Defendants owned or controlled any of them during the Relevant Period as defined in any of Plaintiffs' complaints.

15. Panasonic Defendants object to the DAP RFAs to the extent they purport to seek information from entities that do not exist.

16. Panasonic Defendants object to the DAP RFAs on the ground that they seek information regarding transactions with no substantial relationship to United States commerce, which is unduly burdensome and irrelevant to Plaintiffs' pending actions.

17. Panasonic Defendants object to the DAP RFAs to the extent they seek information regarding conduct outside the applicable statute(s) of limitations, on the grounds that such information is neither relevant to any claims or defenses in this litigation nor reasonably calculated to lead to the discovery of admissible evidence.

18. By responding to the DAP RFAs, Panasonic Defendants do not concede the relevancy or materiality of any of Plaintiff's requests; nor do Panasonic Defendants concede the relevancy or materiality of any of the subjects to which those requests relate or refer.

19. Panasonic Defendants' decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of the DAP RFAs should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of Panasonic

Defendants' general objections or the objections asserted in response to specific requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

20. Panasonic Defendants reserve the right to assert additional general and specific objections to the production of information or documents as appropriate and to supplement these objections and responses. Panasonic Defendants also reserve the right to assert additional general and specific objections arising from matters discovered during the course of this litigation.

21. Panasonic Defendants object to the definition of "CRT," "CRT Products," and "CRT Manufacturer" as vague, ambiguous, and subject to overbreadth. Panasonic Defendants further object to the definition of the term "CRT Manufacturer" to the extent it purports to include unidentified companies, organizations, entities and persons who may be named as a defendant in this litigation at some unspecified date in the future.

22. Panasonic Defendants object to the definition of the "Relevant Period" as overbroad, seeking information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence, and as inconsistent with the "Relevant Period" defined in Plaintiffs' complaints. Panasonic Defendants further object to any request, definition, or instruction that may be construed as requiring Panasonic Defendants to provide information outside of the purported "Relevant Period" as defined in any of Plaintiffs' complaints.

23. Panasonic Defendants object to Instruction No. 5 on the ground that it requires more information than is necessary or required for a privilege log, and is beyond the scope of Rule 26(b)(5) of the Federal Rules of Civil Procedure. For example, stating the general subject matter of a privileged communication is sufficient for the purposes of a privilege log.

24. To the extent any request, definition, or instruction may be construed as requiring Panasonic Defendants to characterize documents or their contents or to speculate as to what documents may or may not show, Panasonic Defendants object to such request, definition, or instruction as vague, ambiguous and calling for legal conclusions and/or speculation.

25. Panasonic Defendants object to the DAP RFAs to the extent that they purport to be propounded on behalf of Dell Inc., Dell Products L.P., and/or Costco Wholesale Corporation as no Panasonic Defendant is a party to Dell Inc. and Dell Products L.P. v. Hitachi Ltd., et al.,

No.13-cv-02171; Costco Wholesale Corporation v. Hitachi, Ltd., et al., No. 11-cv-06397; or Costco Wholesale Corporation v. Technicolor SA, et al., No. 13-cv-05723.

26. Panasonic Defendants are continuing their investigation of this matter. Panasonic Defendants' responses are based upon information known as of this time. Panasonic Defendants make these responses without prejudice to their right to supplement or amend these responses, as necessary, based upon subsequently acquired information or knowledge, whether gained through Panasonic Defendants' own continued investigation or otherwise.

RESPONSES TO REQUESTS FOR ADMISSION

Subject to the foregoing General Objections, Panasonic Defendants hereby respond to Plaintiffs' individual requests for admission as follows:

REQUEST NO. 1

Admit that at all times from the beginning of the relevant period through the present Panasonic Corporation of North America has been a wholly-owned subsidiary of Panasonic Corporation.

RESPONSE TO REQUEST NO. 1:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants admit that between 1995 and 2007, Panasonic Corporation of North America ("PNA"), formerly known as Matsushita Electric Corporation of America ("MECA"), was a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd. ("MEI"), which since on or around October 1, 2008, has been known as Panasonic Corporation.

REQUEST NO. 2

Admit that at all times from the beginning of the relevant period through the present Panasonic Consumer Electronics Company has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 2:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants admit that during all or part of the period between 1995 and 2007, Panasonic Consumer Electronic Company ("PCEC") was an unincorporated division of MECA or PNA.

REQUEST NO. 3

Admit that at all times from the beginning of the relevant period through the present Panasonic Communications and Systems Company has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 3:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 4

Admit that at all times from the beginning of the relevant period through the present Panasonic Digital Imaging Company has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 4:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 5

Admit that at all times from the beginning of the relevant period through the present Panasonic Document Imaging Company has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 5:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 6

Admit that at all times from the beginning of the relevant period through the present Quasar Company has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 6:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 7

Admit that at all times from the beginning of the relevant period through the present Panasonic Hawaii has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 7:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 8

Admit that at all times from the beginning of the relevant period through the present Panasonic Western Group has operated as an unincorporated business unit within Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 8:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied.

REQUEST NO. 9

Admit that the document bearing bates numbers TSB-CRT-00018162-18374 is a true and authentic copy of a business record of Panasonic Corporation.

RESPONSE TO REQUEST NO. 9:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of knowledge because TSB-CRT-00018162-18374 was not produced by Panasonic Defendants.

REQUEST NO. 10

Admit that in January 2003, Toshiba Corporation and Panasonic Corporation entered into the MTPD Joint Venture Agreement, in which Toshiba Corporation and Panasonic Corporation agreed to combine and integrate their cathode ray tube businesses into a newly formed company known as Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 10:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 11

Admit that in April 2003, Matsushita Toshiba Picture Display Co., Ltd. was formed with Panasonic Corporation holding a 64.5% ownership interest and Toshiba Corporation holding a 35.5% ownership interest.

RESPONSE TO REQUEST NO. 11:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants

respond as follows: Admitted that as of April 2003 MTPD existed with Panasonic Corporation holding 64.5% ownership interest and Toshiba holding a 35.5% ownership interest.

REQUEST NO. 12

Admit that at all times from the formation of Matsushita Toshiba Picture Display Co., Ltd. in April 2003 through March 2007 Panasonic Corporation owned 64.5% of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 12:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 13

Admit that at all times from the formation of MTPD in April 2003 through March 2007 Toshiba Corporation owned 35.5% of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 13:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 14

Admit that, pursuant to Article 20 of the MTPD Joint Venture Agreement, Panasonic Corporation agreed to manage Matsushita Toshiba Picture Display Co., Ltd., respecting Toshiba Corporation's cooperation.

RESPONSE TO REQUEST NO. 14:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 15

Admit that, pursuant to Article 20 of the MTPD Joint Venture Agreement, Toshiba Corporation and Panasonic Corporation agreed to cooperate with regard to the operations of Matsushita Toshiba Picture Display Co., Ltd. in the aim of employing streamlined management.

RESPONSE TO REQUEST NO. 15:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants

respond as follows: Admitted. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 16

Admit that, pursuant to Article 22 of the MTPD Joint Venture Agreement, at the time of the formation of Matsushita Toshiba Picture Display Co., Ltd. in April 2003 Panasonic Corporation designated six of the ten members of the Board of Directors of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 16:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 17

Admit that, pursuant to Article 22 of the MTPD Joint Venture Agreement, at the time of the formation of Matsushita Toshiba Picture Display Co., Ltd in April 2003 Toshiba Corporation designated four of the ten members of the Board of Directors of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 17:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 18

Admit that, pursuant to Article 23 of the MTPD Joint Venture Agreement, for Matsushita Toshiba Picture Display Co., Ltd. to initiate lawsuits or enter into any legal settlements, at least one member of the board of directors designated by Panasonic Corporation and one member of the board of directors designated by Toshiba Corporation had to approve of such action.

RESPONSE TO REQUEST NO. 18:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 19

Admit that, pursuant to Article 22 of the MTPD Joint Venture Agreement, Panasonic Corporation had the right to select each President of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 19:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 20

Admit that each President of Matsushita Toshiba Picture Display Co., Ltd. at all times from the formation of Matsushita Toshiba Picture Display Co., Ltd. in April 2003 through March 2007 was designated to fill that position by Panasonic Corporation.

RESPONSE TO REQUEST NO. 20:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants admit that MTPD Presidents Minoru Ueda and Tatsuo Tobinaga were from Panasonic Corporation.

REQUEST NO. 21

Admit that, pursuant to Article 22 of the MTPD Joint Venture Agreement, Toshiba Corporation had the right to select each Vice President of Matsushita Toshiba Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 21:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. The MTPD Joint Venture Agreement speaks for itself.

REQUEST NO. 22

Admit that each Vice President of Matsushita Toshiba Picture Display Co., Ltd. at all times from the formation of Matsushita Toshiba Picture Display Co., Ltd. in April 2003 through March 2007 was designated to fill that position by Toshiba Corporation.

RESPONSE TO REQUEST NO. 22:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants admit that MTPD Vice President Eisaburo Hamano was from Toshiba.

REQUEST NO. 23

Admit that at all times from April 2007 through the present Matsushita Toshiba Picture Display Co., Ltd. has been a wholly-owned subsidiary of Panasonic Corporation known as MT

Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 23:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 24

Admit that at all times from the beginning of the relevant period through August 9, 2007 Victor Company of Japan, Ltd. was a majority-owned subsidiary of Panasonic Corporation.

RESPONSE TO REQUEST NO. 24:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows:

Denied, except admit that between 1995 and 1996 MEI held a 52.41% interest in Victor Company of Japan, Ltd. ("JVC"), that between 1997 and 2007 MEI held a 52.40% interest in JVC, and that at March 31, 2008, MEI held a 36.81% interest after JVC's issuance of shares to Kenwood Corporation and Sparx International (Hong Kong), Ltd. post-merger. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 25

Admit that at all times from August 10, 2007 through September 2008 Panasonic Corporation was the largest shareholder of Victor Company of Japan, Ltd., maintaining a 36.8% ownership interest in it.

RESPONSE TO REQUEST NO. 25:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows:

Denied, except admit that during all or part of the period between August 2007 and September 2008 Panasonic Corporation held a 36.8% interest in JVC.

REQUEST NO. 26

Admit that in October 2008 Victor Company of Japan, Ltd. and Kenwood Corporation established a joint holding company, JVC Kenwood Holdings, Inc., through a share transfer.

RESPONSE TO REQUEST NO. 26:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 26 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 27

Admit that at all times from October 2008 through July 2011 Victor Company of Japan, Ltd. was a wholly-owned subsidiary of JVC Kenwood Holdings, Inc.

RESPONSE TO REQUEST NO. 27:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 27 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 28

Admit that at all times from August 2011 through September 2011 Victor Company of Japan, Ltd. was a wholly-owned subsidiary of JVC Kenwood Corporation.

RESPONSE TO REQUEST NO. 28:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 28 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 29

Admit that in October 2011 Victor Company of Japan, Ltd. merged into JVC Kenwood Corporation.

RESPONSE TO REQUEST NO. 29:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 29 seeks information outside the purported Relevant Period as defined in any

of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 30

Admit that at all times from October 2008 through July 2011 Panasonic Corporation was the largest shareholder of JVC Kenwood Holdings, Inc.

RESPONSE TO REQUEST NO. 30:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 30 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 31

Admit that at all times from August 2011 through January 2012 Panasonic Corporation was the largest shareholder of JVC Kenwood Corporation.

RESPONSE TO REQUEST NO. 31:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 31 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 32

Admit that at all times from the beginning of the relevant period through September 2011 JVC Americas Corp. was a wholly-owned subsidiary of Victor Company of Japan, Ltd.

RESPONSE TO REQUEST NO. 32:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 32 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 33

Admit that at all times from October 2011 through the present JVC Americas Corp. has been a wholly-owned subsidiary of JVC Kenwood Corporation.

RESPONSE TO REQUEST NO. 33:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 33 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 34

Admit that at all times from October 2011 through the present JVC Company of America has operated as an unincorporated business unit within JVC Americas Corp.

RESPONSE TO REQUEST NO. 34:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Denied for lack of information or knowledge. Panasonic Defendants object that REQUEST NO. 34 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 35

Admit that Matsushita Toshiba Picture Display Co., Ltd. (n/k/a MT Picture Display Co., Ltd.) has never initiated a lawsuit against Panasonic Corporation or Panasonic Corporation of North America.

RESPONSE TO REQUEST NO. 35:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 36

Admit that neither Panasonic Corporation nor Panasonic Corporation of North America has ever initiated a lawsuit against Matsushita Toshiba Picture Display Co., Ltd. (n/k/a MT Picture Display Co., Ltd.)

RESPONSE TO REQUEST NO. 36:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 37

Admit that Matsushita Toshiba Picture Display Co., Ltd. (n/k/a MT Picture Display Co., Ltd.) has never initiated a lawsuit against Toshiba Corporation, Toshiba America, Inc., Toshiba America Consumer Products, LLC (f/k/a Toshiba America Consumer Products, Inc.), Toshiba America Electronic Components, Inc., or Toshiba America Information Systems, Inc.

RESPONSE TO REQUEST NO. 37:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 38

Admit that none of Toshiba Corporation, Toshiba America, Inc., Toshiba America Consumer Products, LLC (f/k/a Toshiba America Consumer Products, Inc.), Toshiba America Electronic Components, Inc., or Toshiba America Information Systems, Inc. has ever initiated a lawsuit against Matsushita Toshiba Picture Display Co., Ltd. (n/k/a MT Picture Display Co., Ltd.)

RESPONSE TO REQUEST NO. 38:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 39

Admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product manufactured or sold by you.

RESPONSE TO REQUEST NO. 39:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 40

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Electrograph Systems, Inc., Electrograph Technologies Corp., ActiveLight, Inc., CineLight Corporation, International Computer Graphics, Inc., Champion Vision, Inc., or Coastal Office Products, Inc.

RESPONSE TO REQUEST NO. 40:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 41

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Office Depot, Inc., Tech Depot, or Office Max, Inc.

RESPONSE TO REQUEST NO. 41:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 42

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to CompuCom Systems, Inc.

RESPONSE TO REQUEST NO. 42:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 43

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Interbond Corporation of America d/b/a BrandsMart USA.

RESPONSE TO REQUEST NO. 43:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 44

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to P.C. Richard & Son Long Island Corporation.

RESPONSE TO REQUEST NO. 44:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 45

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to MARTA Cooperative of America, Inc.

RESPONSE TO REQUEST NO. 45:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 46

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to ABC Appliance, Inc. d/b/a ABC Warehouse.

RESPONSE TO REQUEST NO. 46:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 47

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Tweeter Home Entertainment Group, Inc. and its subsidiaries, affiliates and predecessors, including, but not limited to : NEA Delaware, Inc.; New England Audio Co., Inc.; Bryn Mawr Radio and Television, Inc.; HiFi Buys Incorporated; Home Entertainment of Texas, Inc.; DOW Stereo/Video, Inc.; United Audio Centers, Inc.; Douglas T.V. & Appliance, Inc. and Douglas Audio Video Centers, Inc.; The Video Scene, Inc. d/b/a Big Screen City; SMK Marketing, Inc. d/b/a Audio Video Systems; Sound Advice, Inc. d/b/a Sound Advice and Showcase Home Entertainment; Hillcrest High Fidelity, Inc.; or Sumarc Electronics Incorporated d/b/a NOW! Audio Video.

RESPONSE TO REQUEST NO. 47:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 48

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Tech Data Corporation or Tech Data Product Management, Inc.

RESPONSE TO REQUEST NO. 48:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 49

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Best Buy Co., Inc.; Best Buy Purchasing LLC; Best Buy Enterprise Services, Inc.; Best Buy Stores, L.P.; BestBuy.com, L.L.C.; or Magnolia Hi-Fi, Inc.

RESPONSE TO REQUEST NO. 49:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 50

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Circuit City Stores, Inc., or its affiliated companies.

RESPONSE TO REQUEST NO. 50:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 51

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product

sold by you to Target Corp.

RESPONSE TO REQUEST NO. 51:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 52

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Sears, Roebuck and Co. or Kmart Corp.

RESPONSE TO REQUEST NO. 52:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 53

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Costco Wholesale Corporation.

RESPONSE TO REQUEST NO. 53:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 54

If your answer to REQUEST NO. 39 is anything other than an unqualified admission, admit that you cannot identify the CRT Manufacturer of the CRT used in any given CRT Product sold by you to Dell Inc. or Dell Products L.P.

RESPONSE TO REQUEST NO. 54:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 55

Admit that, on December 21, 2009 Panasonic Corporation acquired a 50.2% stake in Sanyo Electric Co., Ltd.

RESPONSE TO REQUEST NO. 55:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. Panasonic Defendants object that REQUEST NO. 55 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 56

Admit that, in 2010, Panasonic Corporation reached an agreement to acquire the remaining shares of Sanyo Electric Co., Ltd.

RESPONSE TO REQUEST NO. 56:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted. Panasonic Defendants object that REQUEST NO. 56 seeks information outside the purported Relevant Period as defined in any of Plaintiffs' complaints. Panasonic Defendants refer Plaintiffs to publicly available filings.

REQUEST NO. 57

Admit that, since December 2009, none of Panasonic Corporation, Panasonic Corporation of North America, or MT Picture Display Co., Ltd. has ever initiated a lawsuit against Sanyo Electric Co., Ltd., Sanyo North America Corporation or Sanyo Manufacturing Corp.

RESPONSE TO REQUEST NO. 57:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

REQUEST NO. 58

Admit that, since December 2009, none of Sanyo Electric Co., Ltd., Sanyo North America Corporation or Sanyo Manufacturing Corp. has ever initiated a lawsuit against Panasonic Corporation, Panasonic Corporation of North America, or MT Picture Display Co., Ltd.

RESPONSE TO REQUEST NO. 58:

Subject to and without waiver of the foregoing general objections, Panasonic Defendants respond as follows: Admitted.

Dated: July 10, 2014

By: */s/ Adam C. Hemlock*

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CERTIFICATE OF SERVICE

I declare that I am employed with the law firm of Weil, Gotshal & Manges LLP, whose address is 767 Fifth Avenue, New York, New York 10153. I am not a party to the within cause, and I am over the age of eighteen years. I further declare that on July 10, 2014 I served a copy of:

OBJECTIONS AND RESPONSES OF DEFENDANTS PANASONIC CORP. OF NORTH AMERICA, MT PICTURE DISPLAY CO., LTD. AND PANASONIC CORP. (F/K/A MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.) TO DIRECT ACTION PLAINTIFFS' FIRST SET OF REQUESTS FOR ADMISSION

☒ **BY ELECTRONIC MAIL** by sending a true copy thereof to the addressees, as stated below.

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Executed on July 10, 2014 at New York, New York. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

/s/ Lara E. Veblen Trager
Lara E. Veblen Trager

EXHIBIT B

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

IN RE: TFT-LCD (FLAT PANEL) ANTITRUST LITIGATION This Document Relates to Individual Case No. 3:11-cv-00058 SI	No. 3:07-md-1827 SI MDL No. 1827
COSTCO WHOLESALE CORPORATION, Plaintiff, v. AU OPTRONICS CORPORATION, *et al.* Defendants.	**DEFENDANTS' REPLY IN SUPPORT OF MOTION FOR PARTIAL SUMMARY JUDGMENT AS TO PLAINTIFF'S CLAIMS BASED ON INDIRECT PURCHASES** Date: October 5, 2012 Time: 9:00 a.m. Ctrm.: 10, 19th Floor Hon. Susan Illston

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Costco acknowledges that it seeks to recover for indirect purchases of finished goods from nine vendors, Panasonic, JVC, "Acer," eMachines, Gateway, Proview, Sylvania, Envision Peripherals, and Vizio. *See* Costco's Opposition to Defendants' Joint Motion for Partial Summary Judgment as to Indirect Purchases ("Opp.") (Costco Dkt. No. 228) at 3. Under the *Illinois Brick* "bright line" rule forbidding claims by indirect purchasers, Costco lacks standing to recover damages for any such purchases. Defendants' motion tendered Costco's burden to present evidence sufficient to raise a genuine issue requiring a trial on the applicability of one of the "limited exceptions" to the *Illinois Brick* rule. Costco failed to sustain that burden.

Costco purports to invoke the "ownership or control" exception to the *Illinois Brick* rule, arguing that "the vendors in question control or are controlled by conspirators." Opp. at 1. As to each vendor, however, Costco's attempt to establish the requisite control fails. Costco's assertions that the vendors "are dependent on [conspirators] in terms of ownership and control [sic]," and its further claim that the vendors have business relationships with conspirators that "are relevant because they show the extent of and motive for that interlocking control and the shared benefits from the overcharges," are not sufficient to present an issue of "ownership or control" requiring a trial. Opp. at 3.

I. THERE IS NO SEPARATE "NO REALISTIC POSSIBILITY THAT DIRECT PURCHASERS WILL SUE" EXCEPTION TO *ILLINOIS BRICK.*

As the Ninth Circuit explained in *Delaware Valley Surgical Supply Inc. v. Johnson & Johnson*, 523 F.3d 1116, 1120-21 (9th Cir. 2008), "a bright line rule emerged from *Illinois Brick*." The "bright line rule" provides that "only direct purchasers have standing under § 4 of the Clayton Act to seek damages for antitrust violations." *Id*. (citing *Illinois Brick v. Illinois*, 431 U.S. 720, 735 (1977)). Although there are limited exceptions to the "bright line rule," Costco's claims do not fall under any of them. Contrary to the position taken by Costco, there is no independent exception for purchases from direct purchasers who are considered unlikely to sue.

Costco argues that the Ninth Circuit held in *Freeman v. San Diego Association of Realtors*, 322 F.3d 1133 (9th Cir. 2003), that showing "entanglement" between the direct seller and the direct purchaser that precludes any realistic possibility that the direct purchaser will sue

the direct seller is another, easier way for an indirect purchaser to qualify for the *Royal Printing* exception to *Illinois Brick*. *Royal Printing* says nothing of the sort, and the Ninth Circuit explicitly rejected the idea that *Freeman* contains a "*Royal Printing*-lite" exception in *In re ATM Fee Antitrust Litigation*, 686 F.3d 741 (9th Cir. 2012). "*Freeman* did not create a new variation of the *Royal Printing* exception, because *Freeman* relied on ownership and control to find standing." *Id*. at 756.

The Ninth Circuit explained that "*Freeman* outlines that whether a realistic possibility of suit exists, depends on the existence of ownership and control between the direct purchaser and the seller." *Id.* The Court expressly "decline[d] to extend the exception noted in *Royal Printing* and *Freeman* to situations where the seller does not own or control the direct purchasers, because, after *Royal Printing*, the Supreme Court stated that '[t]he possibility of allowing an exception, even in rather meritorious circumstances, would undermine the rule.'" *Id.* at 757 (quoting *Kansas v. UtiliCorp United, Inc.*, 497 U.S. 199, 216 (1990)). Whether there is a realistic possibility of suit is a result of ownership or control, not an independent exception to *Illinois Brick*.

II. COSTCO FAILS TO RAISE A GENUINE ISSUE OF "CONTROL."

A. The *In re ATM Fee* Definition Of "Control."

The Ninth Circuit applied the term "control" in accordance with "its ordinary, contemporary, and common meaning." *In re ATM Fee*, 686 F.3d at 757 (citing *United States v. Bennett*, 621 F.3d 1131, 1139 n.2 (9th Cir. 2010)). In this sense, "[t]o 'control' a thing is 'to exercise restraint or direction over; dominate, regulate, or command.' Webster's College Dictionary 297 (Random House 1991); *see also* Webster's New Collegiate Dictionary 285 (9th ed.1983) (defining 'control' as the 'power or authority to guide or manage')." *Id.*

In re ATM Fee described the nature of the "power or authority to guide or manage" that is required to demonstrate "the type of control necessary to meet the exception to *Illinois Brick*." *In re ATM Fee*, 686 F.3d at 758. First, noting that the direct purchasers owned approximately 10 percent of the publicly traded Delaware corporation that owned the seller, the Ninth Circuit held that the direct purchaser banks "had insufficient ownership interests to control" the seller or its shareholder. *Id*. at 757. The court cited *Weinstein Enterprises., Inc. v. Orloff*, 870 A.2d 499, 506-

08 (Del. 2005), for the proposition that shareholder "control of the affairs of the corporation . . . does not exist unless the shareholder owns a majority of the stock or has actual control over the corporation's conduct." *Id.* (quoting *Kaplan v. Centex Corp.*, 284 A.2d 119, 122-23 (Del. Ch. 1971)), the Court further explained:

> "A plaintiff who alleges domination of a board of directors and/or control of its affairs must prove it. Stock ownership alone, at least when it amounts to less than a majority, is not sufficient proof of domination or control."

Id. The court also discussed language added to the seller's agreement with the direct purchaser banks at their request, and found it inadequate to demonstrate control because the agreement was negotiated between the seller and its member banks, and, even after the protective modification of the agreement, STAR, the seller, retained the power to change the fees it charged the banks. *Id*. The existence of STAR's Network Advisory Board, populated by some of the banks and allegedly established to appease the banks anxious about a change in the ownership of STAR, was not sufficient to demonstrate control of STAR by the banks because the Network Advisory Board "had no power to set interchange fees or to control [STAR's shareholder's] board." *Id*. The Network Advisory Board's "input on policies and pricing issues . . . does not constitute the type of control necessary to meet the exception to *Illinois Brick*." *Id*. at 758.

Because Concord, STAR's shareholder, was a Delaware corporation, Concord's board of directors had "the power, authority, and responsibility to manage the corporation *In re ATM Fee*, 686 F.3d 741, [*17]. (citing Del. Code. Ann. Tit. 8, § 141). To control STAR, the Ninth Circuit held, "the Bank Defendants must have had control of Concord's board of directors," something the plaintiffs did not demonstrate with evidence of the banks' collective 10 percent shareholding or their influence based on their network membership and the Network Advisory Board. *Id.*

Although it acknowledges the "common meaning" of "control" addressed in *In re ATM Fee*, Costco argues that "many factors" must be considered in the determination of whether control is present. While it may be true that "many factors" may be considered, the only factors

that count are those that contribute to a determination of whether a conspirator has the ability to direct the litigation decisions of a direct purchaser.

B. Costco Presents No Evidence That Any Of The Vendors From Which It Purchased Finished Goods Is Controlled By A Conspirator.

Costco attempts to establish that its purchases from the direct purchaser vendors fall within the "owned or controlled" exception to *Illinois Brick*, but it relies on strained or over-aggressive characterizations of purported "entanglements" between the direct purchasers and conspirators that supposedly preclude the direct purchasers from filing suit, rather than evidence of "control." Costco goes so far as to offer a diagram depicting purported "investment," technology licenses or transfers, OEM relationships, past mergers, unrelated joint ventures, "overlapping officers and directors," or "strategic alliances," but relationships and events such as these do not approach the level of "control" required to avoid the bar of *Illinois Brick*. Costco's citations to press releases, media reports, or public filings that describe business dealings and relationships do not, individually or collectively, carry Costco past the clear "control" threshold established by the Ninth Circuit. In each case, Costco fails to present evidence justifying a trial on the question of whether a direct-purchaser vendor is controlled by, a conspirator.

1. Panasonic.

Costco's Panasonic argument is based on Panasonic's present or former relationships with Toshiba Matsushita Display Technology Co., Ltd. ("TMD") and IPS Alpha Technology Ltd. ("IPS Alpha").

a. TMD.

Costco does not contend that Panasonic owns or controls TMD. In a footnote, Costco admits that "Toshiba acquired Panasonic's share of TMD in 2009." Opp. at 13 n.9. Costco argues that Panasonic previously "jointly owned and controlled TMD," but the evidence on which Costco's argument is based does not support a finding of prior ownership or control.

Costco claims that "Panasonic had significant ownership and control over [TMD]." *See* Opp. at 13. Costco admits, however, that Panasonic held only 40 percent of the equity of TMD. *Id*. Costco asserts that "Panasonic exerted significant control over TMD's management and

operations, including authority over TMD's pricing decisions," but it cites no evidence to support this claim. *See id*. Costco further states that "many of TMD's directors, executives, and employees came from Panasonic," but it's only proof is that "three of TMD's eight directors, one of its corporate auditors, and a significant number of its employees came from Panasonic." *Id*. at 13-14. Costco also refers to TMD's sale of half its output to "either Panasonic or Toshiba," which means that less than half was sold to Panasonic. *Id*. at 14.

Costco's evidence does not present a control issue requiring a trial. Panasonic's equity position in TMD was below 50 percent at all times, and Costco did not present any evidence of control based on anything other than equity ownership. The mention of overlapping employees or directors is not sufficient in the face of the undisputed evidence that Panasonic never had more than half of the voting power on the TMD board. Costco presented no evidence that Panasonic ever had "control of [TMD's] board of directors." *In re ATM Fee*, 686 F.3d at [*17]. Costco's unsupported professions of "significant control" are inadequate.

Proof of former ownership and control would not have been sufficient to invoke the owned or controlled exception. The point of the exception is to counter situations in which a conspirator is in a position to prevent a direct purchaser from presenting its claims, and thus to thwart enforcement of the antitrust laws. *See Royal Printing*, 621 F.2d at 326. Former ownership or control of a conspirator would not place Panasonic in a position in which this risk is present. The present litigation decisions of Panasonic are not in the hands of TMD, and Panasonic is not in a position to suffer economically by virtue of a finding that TMD is liable for price fixing.

b. IPS Alpha.

Costco asserts that today, based on transactions that occurred several years after the end of the conspiracy period, Panasonic owns substantially all of IPS Alpha, now known as Panasonic Liquid Crystal Display Co., Ltd. Costco argues that Panasonic's interest in IPS Alpha is important because IPS Alpha participated in the alleged conspiracy, but it does not present any evidence sufficient to support a conclusion that IPS Alpha was a conspirator.

Without citing any authority of any kind, Costco states that "IPS Alpha was party to pricing and output agreements entered into by the conspirators." Opp. at 15. It then states that

Fumiaki Yonai, the former president of Hitachi Displays, was also the president of IPS Alpha, and it claims "extensive evidence" showing Mr. Yonai's participation in the conspiracy. *Id.* Despite this exaggeration, Costco has presented no evidence that Mr. Yonai participated in any conspiratorial activity on behalf of IPS Alpha.

Costco claims in a footnote that Samsung's interrogatory answers show that "Samsung employees, including H.B. Suh, had between five and eight meetings with Fumiaki Yonai." *Id.* at 15 n.19. There is no basis on which these alleged meetings can be attributed to IPS Alpha. The reference to H.B. Suh on page 33 of the cited source document, Exhibit 64 to Mr. Merriman's declaration, does not show a meeting with Mr. Yonai on behalf of IPS Alpha. Rather, on page 54, it is stated that H.B. Suh met with "Watanabe and Mr. Yonai of Hitachi on January 25, in an unknown year." There is no mention of conspiratorial conduct; Mr. Yonai is identified as a Hitachi Displays, not IPS Alpha, representative, and it is not clear that IPS Alpha even existed in the unidentified year in which the meeting took place. *See* Merriman Decl., Ex. 6 (IPS Alpha began operations on January 1, 2005). On page 57, it is indicated that S.M. Yoon attended the same meeting "on January 25, in an unknown year," again without any mention of information suggestive of the possibility of conspiratorial conduct. In addition, Samsung stated on page 96 that H.B. Suh terminated all contact with competitors in 2005, the year in which IPS Alpha began operations.

The 2003 meetings with N.S. Cho mentioned on page 37 of the exhibit are not described in a manner sufficient to support a conclusion of conspiracy, and each of these meetings took place before IPS Alpha existed.

None of the meetings between Samsung and Mr. Yonai is stated to have been in his capacity as a representative of IPS Alpha. Costco cannot establish that IPS Alpha was a conspirator by pointing to action taken by Mr. Yonai before IPS Alpha existed or otherwise outside the scope of his role at IPS Alpha.

The other evidence cited by Costco is similarly unavailing. The deposition excerpts contained in Exhibit 65 to Mr. Merriman's declaration show meetings in 2001 at which prices

were not discussed. IPS Alpha did not exist when the meetings took place, and the testimony does not even implicate Mr. Yonai in unlawful conduct on behalf of Hitachi Displays.

The final item of evidence Costco cites is similarly insufficient to support a conclusion that IPS Alpha participated in any conspiratorial activities. Exhibit 66 to Mr. Merriman's declaration is an email from Deborah Yang of Philips to Sonia Chen of Samsung in which Philips's preliminary 2007 estimation of panel production is discussed. There are estimates for various producers, including IPS Alpha, but no indication of how the estimates were derived, and nothing at all that would support a conclusion that IPS Alpha provided production information to Philips. Costco's statement that "IPS Alpha's participation in the conspiracy is further confirmed by evidence that its confidential panel production numbers were circulated to other cartel members" is not supportable. *See* Opp. at 15. There is no basis on which Philips's 2007 estimate of IPS Alpha's 2007 production can be portrayed as IPS Alpha's "confidential panel production numbers" and, as mentioned, Costco has presented no evidence to support a conclusion that the Philips estimates are based on any communications with IPS Alpha.

Costco failed completely to present evidence that would allow a genuine portrayal of IPS Alpha as a conspirator. The desperate steps it took in an attempt to associate IPS Alpha with conspiratorial activity do not create an issue of fact; there is no basis on which IPS Alpha can be proved to have participated in a conspiracy, and therefore no basis on which Costco's indirect purchases through Panasonic can come within the owned or controlled exception to the *Illinois Brick* rule.

2. JVC.

Costco does not contend that JVC owns or controls a conspirator or that it is owned or controlled by a conspirator. Costco also does not contend that JVC is currently owned or controlled by Panasonic, but its argument that purchases from JVC fall within an exception to *Illinois Brick* appears to be based on JVC's relationship with Panasonic.

Costco describes JVC as an "affiliate" of Panasonic. *See* Opp. at 12-13 n.8. However, Costco acknowledges that JVC is 100 percent owned by JVC Kenwood Holdings, and it admits that Panasonic owned only 19.21 percent of JVC Kenwood Holdings in 2008. *See id.*

Costco also mentions patent license agreements between Panasonic and JVC, and the fact that Panasonic and JVC have shared lawyers in litigation. Opp. at 12-13 n.8. As a result of the minority shareholding, the patent license, and the sharing of counsel, Costco asserts that "Panasonic's connections with conspirators . . . are also JVC's." *Id*. Tellingly, Costco cites no legal support for this conclusion. If by this, Costco means to imply that JVC owns or controls Panasonic or is owned or controlled by Panasonic, it has provided no evidence in support of such a conclusion.

3. eMachines.

Costco makes no attempt to prove that eMachines is owned or controlled by any alleged conspirator. All that is said is that in 2004, eMachines was acquired by Gateway, which was subsequently acquired by Acer in 2007. Opp. at 16. Costco's claims based on purchases from eMachines are therefore dependent on proof that a conspirator owns or controls Gateway or Acer, or is owned or controlled by them. The Defendants are entitled to summary judgment on Costco's purchases from eMachines because there is no such proof, as further discussed below.

4. Gateway.

The evidence is similarly lacking as to Gateway. Costco reports that Gateway was acquired by Acer in 2007, *id*., but that is not sufficient to require the denial of summary judgment because Acer is not owned or controlled by a conspirator.

5. "Acer."

Costco does not contend that Acer Incorporated, one of Taiwan's largest public companies, is owned or controlled by a conspirator. Nor does Costco contend that Acer Incorporated subsidiary Acer America Corporation, the other Acer company apparently relevant to Costco's indirect purchaser claims, is owned or controlled by a conspirator. Instead, relying on a series of historical facts alleged to show "entanglement" with AUO, Costco asserts that it is "highly unlikely" that Acer Incorporated and its subsidiaries "will sue AUO and its co-conspirators." Opp. at 16. For the reasons discussed above, this assertion does not establish an exception to the *Illinois Brick* rule. Costco does not present evidence requiring a trial on the question of whether Acer or any of its subsidiaries is owned or controlled by a conspirator.

a. Acer Display Technology, Inc.

Costco initially attempts to establish a right to recover on purchases from Acer sellers based on the alleged activities of Acer Display Technology, Inc. between 1999 and 2001. Costco alleges that Acer Display Technology, Inc. is a former subsidiary of Acer Incorporated, and it argues based on two documents dated March and May 2001 that Acer Display Technology, Inc. participated in conspiratorial activities "between 1999 and 2001." Opp. at 16-17. There are several reasons why the Acer Display Technology, Inc. discussion is not sufficient to present any genuine issues of fact requiring a trial.

First, Costco does not seek to recover for purchases it made from Acer Display Technology, Inc. Rather, Costco seeks to recover for indirect purchases of computers it made from Acer Incorporated or Acer America Corporation, not the defunct Acer Display Technology, Inc. The status and activities of Acer Display Technology, Inc. are therefore irrelevant.

Second, Acer Display Technology, Inc. is not identified in Costco's complaint as a conspirator, *see* Mot. at n.4-5, and Dr. Bernheim – Costco's expert – was not asked to assume that Acer Display Technology, Inc. was a conspirator. Wyant Decl., Ex. 1 at 2-3.

Costco's comment that "there is no apparent excuse for Defendants not to treat Acer like they do Philips, Samsung, Sharp, and Toshiba," Opp. at 17, adds nothing to the mix.

Third, Costco does not claim that Acer Display Technology, Inc. is owned or controlled by, or owns or controls Acer. Costco cannot establish a right to recover based on purchases from "Acer" by referring to the activities of a company that does not own or control, and is not owned or controlled by, any Acer entity. Any argument to the contrary ignores the content of the owned or controlled exception as explained in *In re ATM Fee*.

b. BenQ.

Costco's comments about BenQ are also insufficient to present an issue for trial about the applicability of the owned or controlled exception to its purchases from Acer Incorporated or Acer America Corporation.

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First, BenQ is not a relevant actor. Costco does not allege purchases from BenQ, and it does not claim that BenQ owns or controls, or is owned or controlled by, Acer Incorporated or Acer America Corporation.

Second, Costco affirmatively acknowledges that BenQ has had no affiliation with Acer since 2001. Costco's unsupported statement that, more than ten years ago, "Acer and AUO remained under common control" and the confusing statement that the common control was "largely through BenQ" are not sufficient to trigger the *Royal Printing* concern that litigation decisions by Acer will be subject to the parental control of a conspirator. *Royal Printing*, 621 F.2d at 326.

6. Proview.

Costco's Proview argument is based on a contention that Tatung Company is the second largest shareholder of public company Proview with a 16.22 percentage holding as of 2007. Opp. at 18. The largest shareholder is said to own 29.99 percent of Proview's stock. *Id*. n.36. Costco also argues that Tatung nominates two of the eight members of Proview's board of directors. *Id*. n.37. In addition, Costco points to business relationships between Proview and Chunghwa Picture Tubes ("CPT") and between Proview and Tatung.

Costco's statistical arguments showing a 16.22 percent shareholding and 25 percent nomination of the Proview board of directors are insufficient to raise an issue of fact because they do not come close to showing "the type of control necessary to meet the exception to *Illinois Brick*." *In re ATM Fee*, 686 F.3d at [*17]. "[C]ontrol of [Proview's] board of directors" is not shown by a minority shareholding or the right to nominate two of the eight Proview board members. *Id*.

The day before Costco filed its opposition memorandum, Proview filed a lawsuit in these proceedings naming a number of AUO, Chi Mei, LG Display, and Samsung companies as defendants. *See Proview Technology, Inc. v. AU Optronics Corp., et al.*, No. CV12-3802 (SI). Costco argued that Proview was not likely to sue Tatung or CPT, but that is irrelevant. Proview's complaint will provide it an opportunity to obtain complete recovery for all of its direct purchases, including any such purchases from Tatung and CPT. To the extent a likelihood of suit

is relevant, Proview's filing obviously shows that the direct purchases that precede Costco's indirect Proview purchases will be the subject of litigation in which any appropriate recovery can be obtained.

7. Sylvania.

Costco similarly relies on inadequate statistical information and business relationships to show "control" of or by Funai, the owner of the Sylvania brand.

Costco points to a 1.2 percent Funai shareholding in Chimei Innolux Corporation as of 2006, a 2006 loan (whose current status is not addressed) by Funai to Chimei Innolux Corporation, and a business relationship between the companies. Opp. at 19 n.44. These data are obviously inadequate to raise a genuine issue of control.

Costco further argues that Toshiba and Funai entered into a color picture tube joint venture in 2001, a fact that does not justify a trial on the question of whether one controls the other within the meaning of *Illinois Brick*/*Royal Printing*/*In re ATM Fee*. *See* Opp. at 19.

Finally, pointing to a 2008 license agreement for the exclusive use of the Philips brand for televisions sold in the United States, Costco claims that "Funai is closely aligned with conspirator Philips." *Id*. That may be so, but the owned or controlled exception is concerned with ownership and control, and close alignments that do not establish either are not sufficient to overcome the *Illinois Brick* direct purchaser rule.

8. Envision Peripherals.

Costco attempts to establish in multiple steps that Envision Peripherals is controlled by alleged conspirators, but it fails at the initial level. The foundation for Costco's Envision argument is that Envision is 24 percent owned by Top Victory Investments Limited, which Costco describes as a holding company of Top Victory Technology Limited ("TPV"), a manufacturer of televisions and monitors. Opp. at 19. A 24 percent holding is not sufficient to raise a "control" issue requiring a trial. As a matter of law, a 24 percent shareholding does not confer "control of [Envision's] board of directors," and Costco offers nothing to supplement the statistical information. *See* Opp. at 19.

Costco's failure to establish control of Envision by TPV makes the balance of what it says irrelevant, but Costco also fails to prove that TPV is controlled by one or more conspirators.

Koninklijke Philips's 2005 minority shareholding with the possibility of an increase to 28 percent (Costco does not report on the conversion status) upon conversion of a convertible bond, plus the right to nominate two of the members of a 13 person board do not establish control of the TPV board. The statistical facts are not accompanied by other evidence sufficient to raise a genuine issue of control. The joint venture business relationship between TPV and Philips and Philips's investment in the joint venture do not change the result. Once again, Costco seeks to prove "entanglement," rather than the "control" required by the law.

Chimei's 7.68 2007 shareholding in TPV is inadequate, even when it is combined with the actual and theoretical holdings of Philips. A "strategic alliance" with Chimei involving LCD panels is also inadequate, as are the joint ventures with other defendants to which brief unexplained reference is made. *See* Opp. at 20. It does not matter that Envision can be portrayed by Costco as "part of the vertical supply chain from LCD manufacturer to LCD finished-product market." *Id*. at 21. That establishes that Costco's purchases from Envision are indirect purchases, but it does not justify invocation of the owned or controlled exception.

9. Vizio.

a. AmTRAN.

The approach Costco takes with Vizio is similar to the approach it takes with the other direct purchasers. Costco notes that AmTRAN "owns or owned a 24 percent share of Vizio," relying on a 2007 media report. *See* Opp. at 21 n.59. Costco also notes that AmTRAN manufactures most of the televisions sold by Vizio in the United States and that Vizio and its supplier share litigation counsel, presumably because AmTRAN is indemnifying Vizio against claims that the televisions it makes for Vizio infringe third-party patents. Costco offers no evidence of ownership or control of Vizio by a conspirator, but it offers purported relationships between AmTRAN and alleged conspirators as a substitute for proof that a conspirator owns or controls Vizio.

Costco attempts to show ownership or control of Vizio by LG Display based on joint ventures for LED displays and LED packaging between LG Display and AmTRAN, the latter joint venture including a third investor. These business relationships do not establish control of AmTRAN or Vizio, the actual direct purchaser, by LG Display.

b. Foxconn.

Costco also seeks to demonstrate control of Vizio by a conspirator by reference to relationships between Hon Hai Precision Co., Ltd., known as Foxconn, and Hitachi Displays and Chimei. Foxconn is described as "Vizio's other major owner and key supplier," Opp. at 21, but the source document cited by Costco mentions Foxconn's ownership in 2007 of only 8 percent of V Incorporated, described in the source document as "overseeing the Vizio brand." *See* Merriman Decl., Ex. 47 at 1. Costco also states that Foxconn has "a long relationship with Chimei," based on a 2007 joint venture and Chimei shares held by Foxconn. *See* Opp. at 21. Costco describes Foxconn as "the second largest shareholder of Chimei," but the source document states that "Foxconn and two of its investment companies each holds only a small stake in CMI currently," and describes the increased investment mentioned by Costco to be "relatively lower" than Foxconn's 9.88 percent interest in Sharp. *See* Merriman Decl., Ex. 54. The 10 percent Foxconn stake in Sharp mentioned in another source document may be duplicative of the projected 9.88 percent interest mentioned in Exhibit 54 to the Merriman Declaration. Even if the two are aggregated, the resulting total is far below the level necessary to demonstrate the existence of a genuine "control" issue requiring a trial. *See* Merriman Decl., Ex. 56. The final factor mentioned by Costco, the service of a Foxconn executive as chairman of a Chi Mei entity, is also insufficient to demonstrate that Foxconn (much less Vizio) controls Chi Mei.

III. CONCLUSION.

For the foregoing reasons and the reasons set forth in the Defendants' moving papers, summary judgment should be granted on Costco's claims based on indirect purchases through each of the direct purchaser vendors.

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Dated: August 17, 2012

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EXHIBIT C

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re TFT-LCD (FLAT PANEL) ANTITRUST LITIGATION	Master File No. M:07-1827 SI MDL No. 1827
This Document Relates to Individual Case No. 3:11-00058-SI COSTCO WHOLESALE CORPORATION, Plaintiff, v. AU OPTRONICS CORP., et al., Defendants.	Individual Case No.: 3:11-cv-00058-SI **COSTCO'S OPPOSITION TO DEFENDANTS' JOINT MOTION FOR PARTIAL SUMMARY JUDGMENT AS TO INDIRECT PURCHASES**

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RELEVANT ORDERS

Pursuant to this Court's Order of April 9, 2012 (MDL Dkt. 5430), Costco identifies three orders entered in this MDL proceeding that address "substantially similar arguments as those raised in [this] brief": (1) the March 3, 2009, order denying Tatung Company of America's motion to dismiss the Direct Purchaser Plaintiffs' first amended consolidated complaint (MDL Dkt. 873); (2) the March 28, 2010, order denying Tatung Company of America's motion for leave to file a motion for reconsideration of the March 3, 2009, order denying motion to dismiss (MDL Dkt. 1643); and (3) the November 7, 2011, order denying the Toshiba entities' motion for partial summary judgment under *Illinois Brick* (MDL Dkt. 4108).

I. INTRODUCTION

Defendants argue that *Illinois Brick* bars Costco's claim for overcharges on purchases it made from nine vendors because Costco has not "show[n] that any of [those vendors] . . . are a subsidiary or division of an alleged conspirator." Motion for Summary Judgment ("Mot."), MDL Dkt. 5979 at 2.[1] But the "ownership *or* control" exception to *Illinois Brick,* which Defendants sometimes acknowledge, Mot. at 4, 8, 9, & 11, and which the Ninth Circuit just reaffirmed, permits Costco to recover for its purchases from every vendor that is owned or controlled by, or owns or controls, one or more conspirators. *In re ATM Fee Antitrust Litig.*, No. 10–17354, --- F.3d ---, 2012 WL 2855813, at *6 (9th Cir. July 12, 2012) (citing *Royal Printing Co. v. Kimberly-Clark Corp.*, 621 F.2d 323, 326 (9th Cir. 1980)). Defendants are wrong in assuming that Costco relies on mere "business or contractual relationships," Mot. at 11, and the Court should deny Defendants' motion because the vendors in question control or are controlled by conspirators.

It is not Costco but Defendants that "overreach" by advocating an unsupported interpretation of the *Illinois Brick* rule, one rejected last week by the Ninth Circuit. While Defendants at times claim that *Royal Printing* allows indirect purchaser recovery only when the direct purchaser is a "subsidiary or division," Mot. at 1 & 2, no court in this Circuit has ever

[1] Defendants do not challenge Costco's right to recover with respect to purchases from affiliates of Mitsubishi, Phillips, Samsung, Sharp, and Toshiba.

interpreted the "ownership or control" test so narrowly. The test has its roots in *Illinois Brick* itself, which did not preclude claims by indirect purchasers "where the direct purchaser is owned *or controlled* by its customer." *Ill. Brick Co. v. Illinois*, 431 U.S. 720, 736 n.16 (1977) (emphasis added). This was recognized by a key case that Defendants rely upon, Mot. at 12: *In re Brand Name Prescription Drugs Antitrust Litig.*, 123 F.3d 599, 605 (7th Cir. 1997), where Judge Posner explained that the exception is "stated in *Illinois Brick* itself—'where the direct purchaser is owned or controlled by its customer.'"

Case law makes clear that a plaintiff may establish "ownership or control" in several ways. One option is showing that the direct purchaser is a division or subsidiary of a conspirator, as in *Royal Printing*. But a plaintiff may also show sufficient ability to control where there is minority or indirect ownership in circumstances such that "there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation." *Freeman v. San Diego Ass'n of Realtors*, 322 F.3d 1133, 1145-46 (9th Cir. 2003) (citing *Royal Printing*, 621 F.2d at 326); *see also ATM*, 2012 WL 2855813, at *13 ("[W]hether a realistic possibility of suit exists[] depends on the existence of ownership or control between the direct purchaser and the seller."); *Kendall v. Visa U.S.A., Inc.*, 518 F.3d 1042, 1050 (9th Cir. 2008) (same). The test looks to whether the conspirator and direct purchaser have "a unity of interest," not "who owns whom in the distribution chain." *Freeman*, 322 F.3d at 1146 n.12. In conducting the ownership or control analysis, courts look at factors beyond majority ownership, including "interlocking directorates, minority stock ownership, loan agreements that subject the [direct purchasers] to the [conspirators'] operating control, trust agreements, or other modes of control separate from ownership of a majority of the [direct purchasers'] common stock." *Brand Name Drugs Litig.*, 123 F.3d at 605-06; *see also Sun Microsystems Inc. v. Hynix Semiconductor Inc.*, 608 F. Supp. 2d 1166, 1182 (N.D. Cal. 2009) (applying the Posner factors); *ATM*, 2012 WL 2855813, at *14 (considering whether contractual agreements and an advisory board amounted to control). Because "ownership or control" is not merely a "subsidiary or division" rule, courts must evaluate these factors to decide whether the test is satisfied. And as detailed below, the standard is plainly

satisfied as to Costco's vendors because their common ownership and control by the conspirators eliminates the possibility they will sue.

Defendants are also wrong to argue that *Royal Printing* cannot apply because a few vendors *might* be members of the Direct Purchaser Plaintiff Class. Defendants admit that several of the vendors are not members of the class, and after omitting the key limitation from the class definition in text, Mot. at 13, they make a backhanded acknowledgement that that provision excludes the remainder. *Id.* at 13 n.10. Moreover, even if any of these vendors might be default members of the class, Defendants present no evidence that they have filed legitimate claims to participate in the class settlement fund, even though the claims process is now closed. Defendants cannot be allowed to rebut Costco's substantial evidence of ownership or control with unsupported allegations. The Court should deny summary judgment.

II. STATEMENT OF FACTS

Costco purchased finished products containing LCD panels from many vendors. Some of the vendors were conspirators or divisions, subsidiaries, or owners of conspirators—Mitsubishi, Philips, Sharp, Toshiba, and Samsung. The remaining nine vendors at issue—Panasonic and its then-subsidiary JVC; Acer and its subsidiaries eMachines and Gateway; Proview; Sylvania; Envision Peripherals; and Vizio (the "*Royal Printing* vendors"[2])—do not just have arms' length business relationships with the conspirators but in fact are dependent on them in terms of ownership and control. The business relationships, however, are relevant because they show the extent of and motive for that interlocking control and the shared benefits from the overcharges.

III. SUMMARY JUDGMENT STANDARD

Whether Costco can recover for the purchases at issue here is a question of standing that may not be determined on summary judgment "if there is a genuine issue of material fact." *ATM*, 2012 WL 2855813, at *4. "Because the court (and not a jury) decides standing, the district court must decide issues of fact necessary to make the standing determination." *Id.* In making this

[2] Costco does not seek to recover for its purchases from Princeton GS, mentioned in the Motion.

inquiry before the trial that is going to occur regardless of this motion, the court must view the evidence in the light most favorable to the non-moving party. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). "The evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in his favor." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). "In antitrust cases, these general standards are applied even more stringently and summary judgments granted more sparingly." *Beltz Travel Serv., Inc. v. Int'l Air Transp. Ass'n*, 620 F.2d 1360, 1364 (9th Cir. 1980).

IV. ARGUMENT

A. Federal Law Allows Suit Where There Is Corporate Affiliation—Ownership or Control—Between the Direct Purchaser and a Conspirator.

Defendants fundamentally mischaracterize a well-established exception to *Illinois Brick*. Guided by the Supreme Court's reasoning, the Ninth Circuit and other courts have held that indirect purchasers may pursue federal antitrust claims where a conspirator's affiliation with the direct purchaser, through either ownership or control, means there is "no realistic possibility" that the purchaser will sue its supplier. *See, e.g.*, *Freeman*, 322 F.3d at 1145-46 (citing *Royal Printing*, 621 F.2d at 326); *ATM*, 2012 WL 2855813, at *13 (no realistic possibility of suit exists where there is "ownership or control between the direct purchaser and [conspirator]"). This exception includes but is not limited to purchases made from a "division or subsidiary of a co-conspirator." *ATM*, 2012 WL 2855813, at *12-14. *Illinois Brick* referred separately to "*or control*[]." 431 U.S. at 736 n.16 (emphasis added). And the class definition includes purchases from not just subsidiaries but from "any affiliate" of a conspirator. *See* Mot. at 13. Thus, in evaluating the "ownership or control" test, courts carefully analyze the facts as to the relationship between the direct purchaser and conspirators to determine whether ownership or control exists such that there is "no realistic possibility" the direct purchaser will enforce federal law.[3]

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[3] Costco acknowledges that the Court has dismissed its state-law claims other than under Washington law, and that Costco may recover under Washington law solely through the Washington Attorney General's case filed in state court. Defendants are flatly incorrect, however, in contending that Washington has made a "policy decision" against indirect purchaser recovery or failed to amend its laws to go beyond *Illinois Brick* (and the Washington case cited by

1. The "Ownership or Control" Test Originated in *Illinois Brick* and Is Well Established.

In *Illinois Brick*, the Supreme Court held that plaintiffs a link away from the conspirators in the chain of commerce, and thus "indirect" purchasers, could not bring a federal antitrust action merely by showing that the "direct" purchaser had passed part of the illegal overcharge on to them. 431 U.S. at 736. The Court's decision was motivated by two concerns: (1) the difficulty of apportioning damages in cases where both purchasers pursue claims against the conspirator for the same price-fixed items, *id*. at 737-38, and (2) the duplicative recovery if both purchasers were to prevail on their claims without such apportionment, *id*. at 730. The Court noted, however, that the rationale for limiting the cause of action to direct purchasers does not exist where "market forces have been superseded." *Id*. at 736 & n.16. One such circumstance is "where the direct purchaser is owned or controlled by its customer." *Id.* As an example of this exception, the Court cited not a division or wholly owned subsidiary situation. Instead, it cited *Perkins v. Standard Oil Co.*, where the Court had held that the defendant could not avoid liability under the Robinson-Patman Act for price discrimination by channeling its illegal activities through its 60 percent-owned subsidiary. *Id.* (citing 395 U.S. 642, 648 (1969)).

In *Royal Printing*, the Ninth Circuit first applied the "ownership or control" rule. There, the plaintiffs sought to pursue claims against paper manufacturers that sold their products through divisions or subsidiaries, rendering the plaintiffs indirect purchasers. 621 F.2d at 324. The Ninth Circuit allowed their claims, explaining that *Illinois Brick*'s normal bar on indirect purchaser recovery did not govern "the situation where the direct purchaser is controlled by a co-conspirator," *id.* at 327 n.8, and holding that "*Illinois Brick* does not bar an indirect purchaser's suit where the direct purchaser is a division or subsidiary of a co-conspirator," *id.* at 326. The Court recognized that denying the indirect purchasers standing would "effectively immunize the

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Defendants). *See* Motion at 2-4 & 6. Washington amended its laws to clarify that, once the Attorney General brings an action, 'indirect' purchasers such as Costco may share in indirect recoveries. Rev. Code Wash. § 19.86.080(3).

transactions here from private antitrust liability, thus thwarting a vital part of the antitrust enforcement scheme and the expressed purpose of *Illinois Brick*." *Id.*

In *Freeman*, the Court applied the *Royal Printing* test in a situation where the direct purchaser was neither a division nor a subsidiary of a conspirator. There, eleven associations of real estate agents created a joint venture—Sandicor—that managed the Multiple Listing Service ("MLS") for realtors in San Diego County. 322 F.3d at 1140-41. Several realtors sued the associations, arguing that they had conspired to fix the prices for use of the MLS. *Id.* at 1142. Because the associations, as a group, exercised control over the joint venture, the Ninth Circuit allowed the indirect purchaser realtors to bring their claims, holding that "indirect purchasers can sue for damages if there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation." *Id.* at 1145-46. Since *Freeman*, the Ninth Circuit has consistently looked to the "realistic possibility of suit" standard when applying the ownership or control test. *See Kendall*, 518 F.3d at 1050 ("[I]ndirect purchasers can sue for damages if there is no 'realistic possibility that the direct purchaser will sue' over the antitrust violation.") (quoting *Freeman*, 322 F.3d at 1145-46); *ATM*, 2012 WL 2855813, at *13 ("[W]hether a realistic possibility of suit exists[] depends on the existence of ownership or control between the direct purchaser and the seller.").

Defendants assert at times that the "ownership or control" standard is limited to parent-subsidiary relationships, Mot. at 9, but that is not how courts have applied the test. This Court rejected Toshiba's argument that *Royal Printing* did not apply because of the "indirect corporate relationship" between the manufacturer of Toshiba panels and the vendor of Toshiba products in the United States. MDL Dkt. 4108 at 2 (Order Denying Toshiba Entities' Mot. for Summ. Jud.). Citing *Freeman*, the Court explained that underlying *Royal Printing* was a concern that entities affiliated with a conspirator would not file suit and thus conspirators could evade liability by nominally selling goods through another entity rather than to their customers directly. *Id.* at 3. Thus, despite the indirect corporate relationship between the entities at issue, the Court held that *Royal Printing* applied and denied Toshiba's motion. *Id.* Other courts have similarly rejected Defendants' view. *See, e.g.*, *ATM*, 2012 WL 2855813, at *14 (analyzing whether direct purchaser

controlled upstream seller notwithstanding mere 10 percent ownership interest); *Freeman*, 322 F.3d at 1145-46 (applying test outside the division/subsidiary context); *In re Optical Disk Drive Antitrust Litig.*, No. 3:10-md-2143 RS, 2012 WL 1366718, at *6 (N.D. Cal. Apr. 19, 2012) (holding that *Royal Printing* is satisfied where the direct purchaser and conspirator are affiliates because "[w]here a price-fixing manufacturer sells through a subsidiary, *affiliate*, and/or co-conspirator . . . there [is] little risk of multiple liability (since the 'middleman' in such instances is unlikely to sue)") (emphasis added).

Defendants also miss the mark in the cases they cite, for none involved the type of control that would make suit unlikely, as here.[4] In particular, Defendants' reliance on *Delaware Valley Surgical Supply, Inc. v. Johnson & Johnson*, 523 F.3d 1116 (9th Cir. 2008), is misplaced. In *Delaware Valley*, there were no allegations of "ownership or control" precisely because the direct purchaser was an independent, unaffiliated company. *Id.* at 1122-23. The *Delaware Valley* Court simply refused to create a new exception to *Illinois Brick* based on the indirect purchaser's contract with the conspirator. *Id.* Contrary to the fundamental premise of Defendants' Motion, Costco is *not* relying on mere "contractual relationships" and *does* contend that these vendors are "anything but independent companies." *See* Mot. at 11. And Costco hardly needed formal discovery to marshal proof of lack of independence.

2. Courts Consider Many Factors in Analyzing Ownership and Control.

As Defendants ultimately admit, Mot. at 9 ("a degree of ownership/control" can be sufficient), analyzing whether a conspirator controls or is controlled by the direct purchaser does

[4] *See Kloth v. Microsoft Corp.*, 444 F.3d 312, 321 (4th Cir. 2006) (affirmed dismissal of complaint because plaintiffs made no allegations that defendant "has either 'functional unity' with the intermediary sellers or sufficient ownership interest in or control over the intermediary sellers"); *Brand Name Drugs Litig.*, 123 F.3d at 605-06 (test was not met because none of Judge Posner's "control" factors were present); *In re Midwest Milk Monopolization Litig.*, 730 F.2d 528 (8th Cir. 1984) (no allegations of either ownership or control); *Jewish Hosp. Ass'n of Louisville, Kyt., Inc. v. Stewart Mech. Enters. Inc.*, 628 F.2d 971, 975 (6th Cir. 1980) (subcontractor's independence from general contractor meant no exception to *Illinois Brick*); *Sun Microsystems*, 608 F. Supp. 2d at 1177-79 (no allegation that external manufacturers were intertwined with conspirators); *In re Ditropan XL Antitrust Litig.*, 2007 WL 2978329, at *3 (N.D. Cal. Oct. 11, 2007) ("ASC has not alleged any facts, or even argued, that its claim falls within either of these two exceptions.").

not end with the obvious—whether the direct purchaser is a division or subsidiary of a conspirator. Such evidence is certainly sufficient, as in *Royal Printing*, but it is far from necessary, as the Court indicated by discussing whether the intervening purchaser was "affiliated with," not simply wholly owned by a conspirator. *See* Mot. at 8. As in any situation where potential to control is at issue, courts examine practical realities as well as relative levels of ownership. Defendants' Motion does not even suggest why dominant but minority membership is insufficient, much less address other evidence showing that it has resulted in common interests and control in many situations.

In *Freeman*, the Ninth Circuit found sufficient ownership and control despite the absence of a parent-subsidiary relationship, emphasizing that the "ownership or control" test looks to whether the conspirator and direct purchaser have "a unity of interest," not "who owns whom in the distribution chain." 322 F.3d at 1146 n.12. Ultimately, the Court explained, the ownership or control test applies where "there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation." *Id.* at 1145-46 (citing *Royal Printing*, 621 F.2d at 326). The Ninth Circuit reiterated and applied the same test in *Kendall*, 518 F.3d at 1050.

While *Freeman* did not provide a comprehensive list of factors to consider in evaluating control, the Court looked in great detail at the means by which the conspirators as a group could control the direct purchaser. *See Freeman*, 322 F.3d at 1145-47. Consistent with *Freeman*, Judge Posner recognized that control may be wielded in many ways and created an oft-cited list of factors to consider when analyzing whether control exists, including "interlocking directorates, minority stock ownership, loan agreements that subject the [direct purchasers] to the [conspirators'] operating control, trust agreements, or other modes of control separate from ownership of a majority of the [direct purchasers'] common stock." *Brand Name Drugs Litig.*, 123 F.3d at 605-06. And in the Northern District of California, Judge Hamilton explicitly adopted Judge Posner's factors in *Sun Microsystems*, 608 F. Supp. 2d at 1182.

Likewise, this Court has held that "intertwined economic interests" between direct purchasers and conspirators are reason to deny Defendants' attempts to hide behind the *Illinois Brick* wall. MDL Dkt. 873 at 2 (Order Denying Tatung Company of America's Mot. To

Dismiss); *see also* MDL Dkt. 1643 at 2 (Order Denying Tatung Company of America's Mot. for Leave to File Mot. for Reconsideration) (ties between companies relevant to determining whether direct purchaser "is unlikely to sue" for antitrust claims). In those decisions, the Court acknowledged that the "ownership or control" test can be satisfied without direct majority ownership.

The Ninth Circuit's recent decision in *ATM* similarly considered other factors for establishing ownership or control. *ATM* involved a class of credit-card holders (indirect purchasers) seeking to recover for allegedly price-fixed fees set by an ATM network. *Id.* at *1. The indirect purchasers (the cardholders) argued, among other things, that the direct purchasers (the bank defendants) owned or controlled the ATM network. *Id.* at *14. The Court defined control to mean the ability to "exercise restraint or direction over or to have the power or authority to guide or manage." *Id.* at *14 (internal quotation marks and citation omitted). Thus, the bank defendants had to have either the ability to control the ATM network's (or its parent's) board or have responsibility for setting the network's fees. *Id.* The Court found that there was no control; the bank defendants did not own any stock of the ATM network and owned less than ten percent of the ATM network's parent company. *Id.*

Significantly, the Court in *ATM* did not narrow the factors relevant to demonstrating control. *Id.* at *12-14. Indeed, the Court expressly considered whether a negotiated agreement between the bank defendants and the ATM network or the bank defendants' participation in the ATM network's advisory board could create ability to control. *Id.* at *14. While the Court ultimately decided that they did not, its reasoning was fact-specific. *Id.* Nowhere did the Court categorically preclude negotiated agreements or advisory boards from being relevant to control. *Id.* Properly read, *ATM* recognizes that ability to control can exist through modes other than the ability to appoint a majority of the board of directors.[5]

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[5] *ATM* interprets *Freeman* as simply using a different formulation to describe the existing "ownership or control" test, rather than as creating a new test separate from ownership and control focused on whether "'there is no realistic possibility that the direct purchaser will sue its supplier.'" 2012 WL 2855813, at *13 (quoting *Freeman*, 322 F.3d at 1145-46). If the *ATM* panel or the en banc Ninth Circuit reconsiders that ruling, Costco submits that the evidence detailed

The factual inquiry required by these cases is consistent with well-established rules for evaluating the other side of the coin, whether two related companies are sufficiently independent that they can conspire. In such cases, the Supreme Court has rejected an approach that "looks to the form of an enterprise's structure and ignores the reality" because "[r]ealities must dominate" in applying the Sherman Act. *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 772-74 (1984). As a result, the Ninth Circuit has found that legally separate entities are functionally united in cases where the entities are merely affiliates of one another, *Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club, Inc.*, 407 F.3d 1027, 1035 (9th Cir. 2005); where the entities are owned by a common third party, *Thomsen v. W. Elec. Co.*, 680 F.2d 614, 616-18 (9th Cir. 1982); and where entities "who would otherwise be competitors pool their capital" in "joint ventures" or "other joint arrangements." *Freeman*, 322 F.3d at 1148 (quoting *Arizona v. Maricopa Cnty. Med. Soc'y*, 457 U.S. 332, 356 (1982)). Such an assessment of realities is necessary here.

Contrary to Defendants' suggestion, this assessment does not conflict with the Supreme Court's decisions in *Illinois Brick* and *UtiliCorp*. First, an evaluation of ownership or control does not involve the sort of complicated apportionment issues that those decisions sought to avoid. 431 U.S. at 724-25, 737; *Kansas v. UtiliCorp United, Inc.*, 497 U.S. 199, 208 (1990). The risk of such complications disappears (as does the risk of "multiple liability for defendants") in cases where—as here—only the indirect purchaser brings claims because the direct purchaser will not sue the conspirator. Indeed, over five years after this litigation started, there is significant certainty that the *Royal Printing* vendors are not pursuing real claims against Defendants.

Second, denying an indirect-purchaser action in cases where the direct purchaser will not sue would contravene *Illinois Brick*'s command that the antitrust laws be enforced vigorously. The Court has held repeatedly that the antitrust laws must be construed so that violators do not "retain the fruits of their illegality because no one was available who would bring suit against

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below is more than sufficient to show, irrespective of ownership or control, that there is no realistic possibility that the *Royal Printing* vendors will sue the conspirators.

them." *Hanover Shoe, Inc. v. United Shoe Mach. Corp.*, 392 U.S. 481, 494 (1968); *see Illinois Brick*, 431 U.S. at 725. If the direct purchaser will not pursue its claims because it is controlled by conspirators, the indirect purchaser must be permitted to sue; ruling otherwise would "leave a gaping hole in the administration of the antitrust laws." *In re Sugar Indus. Antitrust Litig.*, 579 F.2d 13, 18 (3d Cir. 1978); *see also Freeman*, 322 F.3d at 1146 ("Were we to grant immunity from section 1 merely because defendants nominally sell services through another entity rather than to consumers directly, we would risk opening a major loophole . . . .").

In short, Costco seeks application of established law, not some novel theory. And despite Defendants' assertions to the contrary, Costco does not contend that a mere business relationship satisfies that test. Instead, Costco submits that the Court must consider the facts, including the Posner factors, to determine whether there is ownership or control between the direct purchasers and conspirators. The contractual relationships, however, help show the power of and motives for the control affiliations.

B. The Evidence of Corporate Entanglement Creates a Question of Material Fact as to Control and Whether the Vendors Will Pursue Antitrust Claims.

Whether a direct purchaser is owned or controlled by a conspirator and shares a "unity of interest" such that "there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation," *Freeman*, 322 F.3d at 1145-46 & n.12, is a factual question. Here the facts show that "there is no realistic possibility" that the nine *Royal Printing* vendors will sue their conspiring affiliates. *Id.* at 1145.

As detailed below and summarized in the chart on the next page, the *Royal Printing* vendors are unusually interlocked with the conspirators through majority and minority ownership interests, overlapping directorates, joint ventures, strategic alliances, cross-license agreements, and loan agreements. The relationships in this industry are designed to streamline the process from panel manufacture to finished product sale and to stabilize upstream supply and downstream sales, and they have the effect of aligning financial interests. Put simply, not only do these pervasive relationships give conspirators and vendors control over each other, but they also create benefits to all from the conspiracy and a strong financial disincentive to bring suit, precisely the

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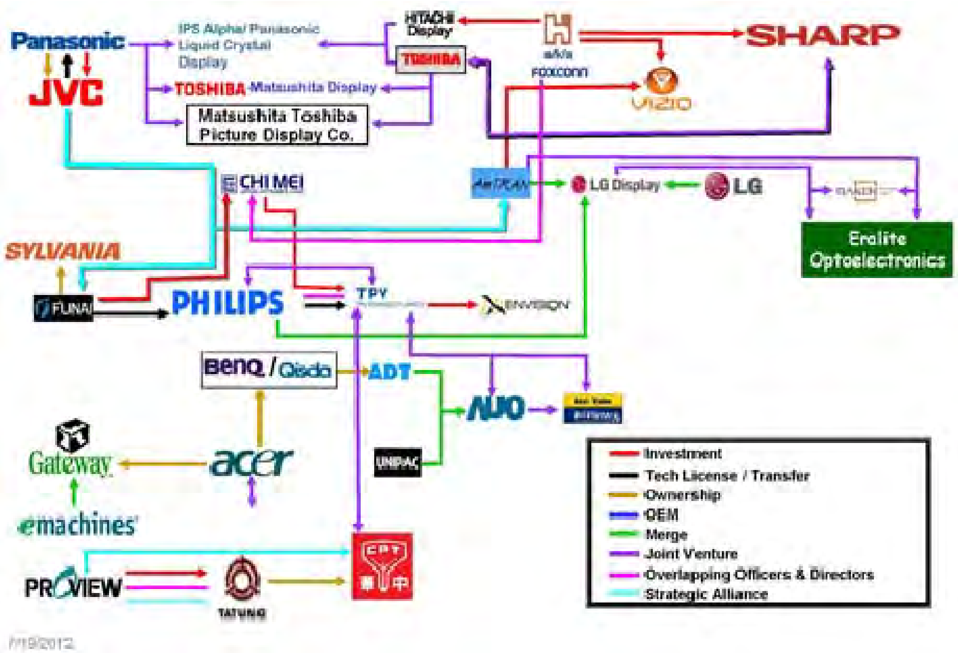
type of "unity of interest" the "ownership or control" approach is meant to overcome. *Freeman*, 322 F.3d at 1146 n.12.[6]



1. Panasonic and JVC

Panasonic Corporation[7] and its former subsidiary and current affiliate JVC[8] have not brought and will not bring suit due to Panasonic's ownership and control of entities that participated in the conspiracy and its multiple joint ventures with other conspirators.

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[6] "At the summary judgment stage," the Court does "not focus on the admissibility of the evidence's form," but rather "focus[es] on the admissibility of its contents." *Fraser v. Goodale*, 342 F.3d 1032, 1036-37 (9th Cir. 2003). But should Defendants challenge the submitted evidence, it remains admissible, and may be supplemented at trial with both testimony and exhibits. Some of the statements are admissible as admissions of a party opponent. Fed. R. Evid. 801(d)(2); *see, e.g.*, Merriman Decl. Ex. 25 (AUO 20-F forms from 2002-2006). Other documents are admissible as trade publications. Fed. R. Evid. 803(17); Declaration of Geoff Shavey at ¶ 4 (stating that in purchasing electronics products for Costco he relied on the trade publications DigiTimes and This Week in Consumer Electronics ("TWICE") to keep track of changes in the electronics industry). And even if the documents are not admissible under any of the other exceptions, many fall under the residual exception. Fed. R. Evid. 807. The evidence specified below—annual reports, SEC filings, and news reports—typifies what Fed. R. Evid. 807 is for: admission of evidence that "has the requisite indicia of trustworthiness but is not otherwise admissible." *United States v. Valdez-Soto*, 31 F.3d 1467, 1471 (9th Cir. 1994).

[7] Panasonic Corporation of North America is a wholly owned and controlled subsidiary of Matsushita Electric/Panasonic Corporation. Exhibit 1 to the Declaration of Steven D. Merriman ("Merriman Decl.") (Panasonic 2012 20-F at 24).

[8] There is no realistic possibility that JVC Kenwood Corporation ("JVC") will bring a suit against the conspirators—a number of which are JVC affiliates. Merriman Decl. Ex. 12 (JVC

First, there is no realistic possibility that Panasonic will sue the conspirators because it jointly owned and controlled one of them—Defendant Toshiba Matsushita Display Technology Co., Ltd. ("TMD"). TMD was formed in April 2002 when Panasonic and Toshiba transferred their LCD panel operations to the joint venture.[9] Thereafter, TMD functioned as the panel manufacturing division of both companies.[10] From the time TMD was formed, Panasonic had significant ownership and control over it. Panasonic owned 40 percent of TMD,[11] and as one of only two TMD shareholders, with conspirator Toshiba as the other, Panasonic exerted significant control over TMD's management and operations, including authority over TMD's pricing decisions. For example, many of TMD's directors, executives, and employees came from Panasonic. When the joint venture was formed in 2002, three of TMD's eight directors, one of its

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Kenwood 2011 Annual Report). During the conspiracy, JVC operated as a subsidiary of Panasonic—Panasonic owned 52.4 percent of JVC. Merriman Decl. Ex. 13 (Panasonic 2008 Annual Report). And after the conspiracy, Panasonic remained JVC's largest individual shareholder (owning 36.8 percent), *id.*, until JVC merged with Kenwood to form JVC Kenwood Holdings (now the 100 percent owner of JVC). Merriman Decl. Ex. 14 ("Report: Kenwood to Merge with JVC," TWICE, June 22, 2007); Merriman Decl. Ex. 15 (JVC Kenwood Management Policies Presentation, Oct. 1, 2008). Even after the merger, JVC Kenwood Holdings' largest shareholder remains Panasonic, which owns 19.21 percent, significantly more than the next largest shareholder (4.27 percent). Merriman Decl. Ex. 12; *see also* Merriman Decl. Ex. 1 at 22 (reporting that as of March 31, 2012, Panasonic still retains its interest in JVC Kenwood). Moreover, Panasonic has entered into significant patent license agreements with JVC, which gave JVC 3.7 billion yen in additional income for the 2011 fiscal year alone. Merriman Decl. Ex. 17 ("Notice of Posting of Extraordinary Income from Granting Patent License," JVC Kenwood, Dec. 28, 2010). Panasonic and JVC have been represented by the same counsel in a number of proceedings. *See, e.g., Ambato Media, LLC v. Clarion Co., LTD*, Case No. 2:09-cv-242-JRG (E.D. Tex.). Panasonic's connections with conspirators, discussed above, are also JVC's. A suit by JVC against the conspirators would be contrary to the interests of its affiliates and its largest shareholder, Panasonic.

[9] Toshiba acquired Panasonic's share of TMD in 2009. Merriman Decl. Ex. 1 at 11.

[10] See Merriman Decl. Ex. 2 (Panasonic 2002 20-F at 121) ("[A] new joint venture, [TMD] was established upon division of relevant business from both companies."); *id.* at 19 ("The new joint venture has succeeded to LCD operations of the two parent companies."); Merriman Decl. Ex. 57 at 2 (Division and Transfer of Liquid Crystal Display into New Company, Matsushita, Jan. 29, 2002) ("Assets, liabilities, rights and obligations involved in the business to be transferred from [Panasonic] and Toshiba, which are considered to be mandatory to operations [of TMD]"); Merriman Decl. Ex. 3 at 11 (Panasonic 2006 20-F) ("In April 2002, [Panasonic] and Toshiba . . . separated their respective [LCD] panel operations and established a joint venture company, [TMD], for the development, manufacture and sale of LCD panels and next-generation display devices.").

[11] *See* MDL Dkt. No. 4108 (Order Denying Toshiba Entities' Mot. for Partial Summ. J. Under *Illinois Brick*) at 2 n.2; Merriman Decl. Ex. 2 (Panasonic 2002 20-F at 12); Merriman Decl. Ex. 3 (Panasonic 2006 20-F at 127).

corporate auditors, and a significant number of its employees came from Panasonic.[12] The overlap in key Panasonic and TMD personnel continued throughout the conspiracy.[13] Moreover, Panasonic and TMD had intertwined economic interests, as TMD sold half the LCD panels it manufactured to either Panasonic or Toshiba.[14] Because of their close affiliation, Panasonic consistently referred to TMD as among "the most significant" of its "associated companies."[15]

Panasonic's ownership and control of TMD is crucial because TMD actively participated in the conspiracy, as evidenced by the recent jury verdict against it. Even before that verdict, this Court had recognized the substantial evidence of Defendant TMD's participation in the conspiracy. *See* MDL Dkt. 4107 (Order Denying Toshiba Entities' Mot. for Summ. J.) (noting "ample evidence for a jury to find that Toshiba participated in the . . . conspiracy" including testimony that Samsung representatives met with TMD representatives and "agreed on prices of TFT-LCD panels"); *see also* MDL Dkt. 4466 (Costco's Second Amended Complaint) (naming TMD as a defendant). Despite the overwhelming evidence of TMD's role in the conspiracy, Panasonic has not and will not bring suit against TMD. Indeed, it is difficult to understand Defendants' assertion that a vendor like Panasonic was not "part of the alleged conspiracy," Mot. at 7 n.8, simply because its participation was through a joint venture with another conspirator.

Furthermore, Panasonic also owns *and* controls named co-conspirator IPS Alpha Technology, Ltd. ("IPS Alpha," now known as Panasonic Liquid Crystal Display Co. Ltd.).[16] IPS Alpha was formed in 2004 when Panasonic teamed up with conspirators Toshiba Corporation and

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[12] Merriman Decl. Ex. 57 at 3, 6; *see also* Merriman Decl. Ex. 58 at 2 (TSB-LCD-0016881) (TMD presentation showing that four of TMD's board members were from Panasonic in 2002).

[13] Merriman Decl. Ex. 59 at 6 (TSB-LCD-0259651) (2003 organizational chart showing high-level TMD executives and board members affiliated with Panasonic); Merriman Decl. Ex. 60 at 5 (TSB-LCD-0247635) (presentation showing that four of TMD's board members were from Panasonic in 2003); Merriman Decl. Ex. 61 at 3-4 (TSB-LCD1_00468647) (same in 2005); Merriman Decl. Ex. 62 at 3 (TSB-LCD1-00466261) (same in 2006).

[14] Merriman Decl. Ex. 63 (TMD Rule 30(b)(6) Dep. of T. Ogawa 56:7-57:17).

[15] Merriman Decl. Ex. 4 (Panasonic 2005 20-F at 126); Merriman Decl. Ex. 3 (Panasonic 2006 20-F at 127).

[16] See Merriman Decl. Ex. 5, ("Hitachi and Matsushita Finalize Business Alliance Details," DigiTimes, Feb. 18, 2008); Merriman Decl. Ex. 6 ("Panasonic to Change Company Name of Subsidiary IPS Alpha Technology, Ltd.," Panasonic, Aug. 23, 2010).

Hitachi Displays, Ltd.[17] During the conspiracy period, while wholly owned and controlled by Panasonic and the two named conspirators, IPS Alpha was party to pricing and output agreements entered into by the conspirators. IPS Alpha's President was Fumiaki Yonai, who also served as President of Hitachi Displays.[18] Extensive evidence establishes Mr. Yonai's participation in the conspiracy.[19] IPS Alpha's participation in the conspiracy is further confirmed by evidence that its confidential panel production numbers were circulated to other cartel members.[20]

After the conspiracy, Panasonic acquired a 92 percent share in IPS Alpha by buying out the conspirators' shares.[21] In a display of its control, Panasonic changed IPS Alpha's name to Panasonic Liquid Crystal Display Co. Ltd. and appointed a new president from its own corporate ranks to lead Panasonic LCD.[22] Because an antitrust claim by Panasonic against the conspirators would necessarily implicate an entity that it owns and controls, there is no realistic possibility that Panasonic will bring suit.[23]

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[17] Merriman Decl. Ex. 7 ("Hitachi, Toshiba and Matsushita Conclude Agreement for Establishment of TV LCD Panel Joint Venture, IPS Alpha Technology," Hitachi, Oct. 29, 2004); *In re TFT-LCD (Flat Panel) Antitrust Litig.*, 267 F.R.D. 291, 296 (N.D. Cal. 2010) (noting "the formation of defendant IPS Alpha in 2005 [sic] by defendants Toshiba and Hitachi and named co-conspirator Panasonic"); *see* Merriman Decl. Ex. 8 ("IPS Alpha to Build 8G LCD Plant in Japan; Operation to Start in 2010," DigiTimes, Feb. 15, 2008) (referencing Hitachi's then 50 percent ownership share in IPS Alpha).

[18] Merriman Decl. Ex. 9 (Profile of Fumiaki Yonai, Businessweek).

[19] Merriman Decl. Ex. 64 (Samsung Interrogatory Responses, Annotated Samsung's Responses to Direct and Indirect Purchaser Class Plaintiffs' Witness and Contention Interrogatories to All Defendants (Annotated)) (stating that Samsung employees, including H.B. Suh, had between five and eight meetings with Fumiaki Yonai); *see also* Merriman Decl. Ex. 65 (G. Watanabe [Hitachi] Dep. 160:25-161:1) (discussing April 2001 meeting between Watanabe and Yonai from Hitachi Displays and B.J. Koo, CEO of LG Display).

[20] *See* Merriman Decl. Ex. 66 (SAML-809794) (Philips email to S. Chen [Samsung] titled "data," July 11, 2006).

[21] *See* Merriman Decl. Ex. 10 (Appendix to Panasonic's Notice of 2011 Shareholder Meeting).

[22] Merriman Decl. Ex. 6; Merriman Decl. Ex. 9.

[23] Panasonic also partnered with conspirator Toshiba on another significant joint venture that participated in a separate conspiracy to fix the prices of cathode ray tubes ("CRTs"). Merriman Decl. Ex. 68 ("Matsushita, Toshiba Advances CRT Joint Venture," TWICE, Mar. 28, 2003). Matsushita Toshiba Picture Display Co. ("MTPD") was created in 2003 to produce CRTs. *Id.* Panasonic owned 64.5 percent of the company and was given the right to appoint the president. *Id.* And in 2007, MTPD became a wholly owned subsidiary of Panasonic. MTPD is alleged to have participated in the massive CRT price-fixing conspiracy. *See* Merriman Decl. Ex. 67 (Class Action Complaint, *In re Cathode Ray Tube (CRT) Antitrust Litig.*, No. 3:07-cv-05944-

Given Panasonic's ownership and control of two co-conspirators and its entanglement with others, it is inconceivable that members of the Panasonic corporate family will pursue antitrust claims. Moreover, the direct purchaser class definition expressly excludes "affiliates" of Defendants. *In re TFT-LCD (Flat Panel) Antitrust Litig.*, 267 F.R.D. at 315. This common aspect of class definitions is itself recognition of the common sense proposition that an affiliate will not truly pursue a claim and might well have benefited from the conspiracy. In any event, Panasonic was never in the class. Panasonic's relationship with conspirators places it squarely within the "ownership or control" exception to *Illinois Brick*.

2. Acer, Gateway, and eMachines

Acer Inc. and its wholly owned subsidiary Gateway Inc. (including eMachines, which Gateway acquired in 2004)[24] are not going to sue Acer's former affiliate AU Optronics Corp. ("AUO") and its fellow conspirators.

In 1996, Acer created Acer Display Technology, Inc. ("ADT") to manufacture LCD panels for Acer and others.[25] Three years into the conspiracy, ADT agreed to merge with Unipac Optoelectronics (which was then affiliated with Matsushita/Panasonic) to form what was then the third largest producer of LCD panels: AU Optronics, one of the central members of the LCD price-fixing conspiracy.[26] Prior to completion of the merger in September 2001, ADT/AUO functioned as an affiliate of Acer.[27]

SC, Dkt. No. 1 (N.D. Cal. Nov. 26, 2007)). With the CRT litigation pending, Panasonic certainly is not going to allege that its affiliates engaged in an LCD conspiracy.

[24] In 2007 Acer obtained complete control over Gateway via a merger that made the formerly public Gateway a privately owned subsidiary of Acer with a board of directors appointed entirely by Acer. Merriman Decl. Ex. 19 ("Acer to Acquire Gateway, Strengthen its Position in the US Market," DigiTimes, Aug. 27, 2007). And of Gateway's five-person Board of Directors, at least two have significant ties with Acer, including Emmanuel Fromont, Acer Corporate Vice President and President of Acer Pan America Operations, and J.T. Wang, Acer's Chairman and CEO. Merriman Decl. Ex. 27 (Gateway 2011 Annual Report). Acer undoubtedly "owns or controls" Gateway within the meaning of *Royal Printing*, and it is highly unlikely that Gateway could pursue antitrust claims without Acer's blessing.

[25] Merriman Decl. Ex. 20 ("AUO Corporate History").

[26] *Id.*; Merriman Decl. Ex. 21 ("AUO Prospectus of Initial Offering," May 23, 2002); *see also In re TFT-LCD (Flat Panel) Antitrust Litig.*, 267 F.R.D. at 296 (noting "the creation of defendant AU Optronics in 2001 through the merger of Acer Display and Unipac Electronics").

[27] Merriman Decl. Ex. 20.

AUO's participation in the conspiracy is no longer in dispute. The company and its executives were recently convicted on criminal charges.[28] The evidence showed that ADT participated in conspiratorial meetings between 1999 and 2001, which is to say, prior to becoming AUO, *and while directly owned* by Acer.[29] During that period, there is no apparent excuse for Defendants not to treat Acer like they do Philips, Samsung, Sharp, and Toshiba.

Of course, AUO's participation in the conspiracy did not end after the merger and name change. And Acer and AUO remained under common control, largely through BenQ Corporation.[30] BenQ was also part of the Acer corporate family until it was spun off in 2001.[31] Even after the spin off, BenQ held the largest single ownership share of AUO. The majority of directors of BenQ were either current or former executives or board members of Acer, including former President and current Chairman of BenQ, K.Y. Lee, who is also the chairman of AUO.[32] AUO's board also included three to four BenQ directors.[33] Unsurprisingly, BenQ and Acer were responsible for a significant portion of AUO's LCD panel sales during much of the conspiracy.[34] Everyone benefited as long as the interrelationships between the panel conspirators and the finished product companies assured that the overcharges were passed on to Costco and others.

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[28] Merriman Decl. Ex. 69 (Special Verdict Form, *United States v. AU Optronics Corp., et al.*, No. CR-09-0110 SI, Dkt. No. 851 (N.D. Cal. Mar. 10, 2012).

[29] Merriman Decl. Ex. 70 (AU-MDL-03551826) (Minutes from meeting between ADT and LG to discuss panel pricing and capacity, May 26, 2001); Merriman Decl. Ex. 71 (TSB_LCD1_00311862) (Email scheduling "top management" meeting between ADT and LG executives to discuss "market situation consensus," "co-operation," and "mutual assistance," Mar. 1, 2001).

[30] BenQ was formerly known as Acer Peripherals, Inc. and Acer Communication & Multimedia, and changed its name to Qisda Corporation in 2007. Merriman Decl. Ex. 22 ("Qisda Corporate History").

[31] Merriman Decl. Ex. 23 ("ACM Unveils New Company and Brand Name BenQ," DigiTimes, Dec. 10, 2001).

[32] Merriman Decl. Ex. 24 (BenQ 2002-2006 Annual Reports).

[33] Merriman Decl. Ex. 20; Merriman Decl. Ex. 25 (AUO 20-F forms from 2002-2006) (from 2001-2006 BenQ owned 48.83 percent, 19.10 percent; 14.8 percent, 14.38 percent, 13.32 percent, and 12.35 percent)

[34] From 2001-2004, BenQ and Acer accounted for 27.8 percent, 25.9 percent, 25.9 percent, and 32.3 percent of AUO's sales. Merriman Decl. Ex. 25.

The entanglement between Acer and AUO makes it highly unlikely that Acer, Gateway, or eMachines will sue AUO and its co-conspirators. Thus, Costco should be permitted to pursue its claims for overcharges on Acer, Gateway, and eMachines products.

3. Proview

There is no realistic possibility that Proview Technology, Inc. ("Proview")[35] will sue its significant shareholder Tatung Company, or Tatung's subsidiary (and conspirator) Chunghwa Picture Tubes, Ltd. ("CPT"). In 2007, Tatung became the second largest shareholder of Proview after purchasing 16.22 percent.[36] Tatung was further able to exert control over Proview by appointing three out of Proview's eight board members.[37] The relationship is reciprocal: Proview is represented on Tatung's board as well.[38] Moreover, it appears that Proview has never sued or been sued by either Tatung or Chunghwa in federal court.[39]

Proview is extraordinarily dependent on Tatung-controlled conspirator CPT.[40] As soon as Tatung purchased its stake in Proview, Proview began sourcing its panels from CPT.[41] Proview in turn uses the CPT panels to manufacture LCD TVs for Tatung.[42] Between Tatung's ownership interest in Proview, the entities' overlapping directorates, and their fundamentally aligned interests, there is no realistic possibility that Proview will bring suit against the conspirators.

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[35] Proview Technology, Inc. is a wholly owned domestic subsidiary of its parent, Proview International Holdings, Ltd. Merriman Decl. Ex. 28 at 20 (Proview 2009 Annual Report).

[36] Merriman Decl. Ex. 29 ("Tatung Officially Invests in Proview," DigiTimes, Oct. 17, 2007); Merriman Decl. Ex. 30 (Proview 2008 Annual Report). Proview's largest shareholder is ultimately an individual named Christian Laurent Tan Yang who owns 29.99 percent. Merriman Decl. Ex. 28.

[37] Merriman Decl. Ex. 29. Currently, Tatung nominates two members to Proview's board of directors. Merriman Decl. Ex. 30.

[38] Merriman Decl. Ex. 31 (Tatung 2010 Annual Report).

[39] Merriman Decl. Ex. 32 (Westlaw docket search for cases where Proview is adverse to Tatung or Chunghwa).

[40] Merriman Decl. Ex. 33 ("CPT Aim at Breakeven by End of Year, Says Group Chairman," DigiTimes, June 27, 2011). Tatung currently controls six out of the seven CPT board members. Merriman Decl. Ex. 34 (Chunghwa Operation of Board of Directors).

[41] Merriman Decl. Ex. 29.

[42] Merriman Decl. Ex. 30.

4. Sylvania

The Sylvania brand is owned by a company called Funai, and Sylvania products are distributed in the United States through Funai's subsidiary, the Funai Corporation.[43] Funai in turn is interlocked with at least three conspirators. First, Funai owns a portion of Chimei Innolux Corp., previously known as Chi Mei Optoelectronics Corp.[44] And in 2006, Funai agreed to loan Chimei $400 million for investment in LCD production.[45] Funai's investment in Chimei is one of strategic importance for the company as it seeks to secure low-cost LCD panels and lower production costs for Funai TVs.[46] Indeed, Funai sources 90 percent of its panels from Chimei.[47] Funai also is subject to control by conspirator Toshiba. During the conspiracy period, the two companies entered a joint venture to manufacture color picture tubes.[48] Finally, Funai is closely aligned with conspirator Philips. In 2008, Funai and Philips signed a licensing agreement that granted Funai exclusive use of the Philips brand for televisions sold in the United States.[49]

There are not ordinary business dealings but critical long-term relationships that eliminate any realistic possibility that Funai/Sylvania will bring antitrust claims against the LCD cartel.

5. Envision

Envision Peripherals, Inc., will not pursue its claims because its parent company is subject to the control, albeit indirect, by the conspirators. Envision is owned in large part (24 percent) by Top Victory Investments Limited, a holding company of its parent, Top Victory Technology Limited ("TPV"), which manufactures televisions and monitors.[50] This relationship is crucial to

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[43] Merriman Decl. Ex. 35 (Funai 2011 Annual Report).

[44] Merriman Decl. Ex. 36 ("CMO to Benefit from Funai Electric's Aggressive LCD TV Plans," DigiTimes, July 7, 2006) (Funai owns 1.2 percent of CMO).

[45] *Id.*

[46] *Id.*

[47] *Id.*

[48] Merriman Decl. Ex. 37 ("Funai and Toshiba Announce Joint Venture to Manufacture Color Picture Tubes in Indonesia," Toshiba, Feb. 1, 2001).

[49] Merriman Decl. Ex. 38 ("CMO to Benefit from Philips-Funai Deal, Says Paper," Apr. 10, 2008).

[50] Merriman Decl. Ex. 39 (TPV 2010 Annual Report).

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Envision: the vertical integration with TPV allows Envision to sell high-quality products at value prices.[51]

TPV is subject to control by the conspirators. During the conspiracy period, Koninkijke Philips Electronics N.V. (a/k/a Royal Philip Electronics or Philips) was one of TPV's largest shareholders—owning15.8 percent of TPV plus a convertible bond that could increase Philips's stake to 28 percent if converted—which provided Philips with the right to nominate two members to TPV's thirteen person board.[52] The financial relationship was strengthened in 2011 when Philips agreed to transfer its remaining television business to a joint venture with TPV.[53] The new joint venture gives TPV the right to use the Philips brand name outside the United States.[54] Moreover, Philips agreed that it would provide €185 million as investments and loans in the new joint venture and in TPV.[55]

TPV has similar connections with conspirator Chimei. TPV is partially owned by Chimei (7.68 percent).[56] TPV and Chimei also entered into a strategic alliance that allowed TPV a stable source of LCD panels, enabling TPV to produce televisions more effectively for its affiliate Envision.[57] TPV also has joint ventures with conspirators HannStar Display Corp., AUO, and Chunghwa.[58]

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[51] Merriman Decl. Ex. 40 ("EPI Looks to Join Top LCD TV Ranks," TWICE, Mar. 28, 2006).

[52] Merriman Decl. Ex. 41 (TPV/Philips Merger Procedure, Commission of the European Communities, Aug. 5, 2005); Merriman Decl. Ex. 39.

[53] Merriman Decl. Ex. 42 ("Philips, TPV Sign TV Joint Venture Deal," TWICE, Nov. 1, 2011).

[54] *Id.*

[55] *Id.*

[56] Merriman Decl. Ex. 43 ("TPV Aggressively Expands Business Tie-Ups with LCD Players," DigiTimes, Sept. 28, 2007).

[57] *Id.*

[58] *Id.*; *see also* Merriman Decl. Ex. 44 ("TPV and AUO to Establish Joint Venture for TFT-LCD Module Assembly and TV Set ODM in Poland," TPV Holdings, Mar. 12, 2010); Merriman Decl. Ex. 45 ("To Advance into Brazil, AUO and TPV to Establish Joint Venture for LCD Module Plant," AUO Sept. 17, 2010); Merriman Decl. Ex. 39; Merriman Decl. Ex. 46 (TPV Technology Limited Annual Results for the Fiscal Year Ended 31st December 2010).

Envision, like the rest of the vendors, is part of the vertical supply chain from LCD panel manufacturer to LCD finished-product market. Like the others, it is too dependent on and subject to control by the conspirators.

6. Vizio

Vizio, Inc. is owned and controlled by companies that are affiliated with conspirators. AmTRAN owns or owned a 24 percent share of Vizio.[59] AmTRAN manufactures on a contract basis up to 80 percent of Vizio brand televisions that Vizio markets in the United States.[60] Vizio and AmTRAN routinely share attorneys when both are parties to a lawsuit. *See, e.g., Vizio, Inc. v. Int'l Trade Comm'n*, 605 F.3d 1330 (Fed. Cir. 2010).

AmTRAN is closely aligned with conspirator LG Display through their multiple joint ventures.[61] In 2010, AmTRAN and LG Display created a joint venture to develop light emitting diode ("LED") displays, a high-end flat-panel-display technology, with the understanding that it would help enhance their vertical integration.[62] That same year, AmTRAN, LG Display, and Everlight Electronics Co. Ltd. created a new joint venture to assist in LED packaging.[63]

Vizio's other major owner and key supplier, Hon Hai Precision Co., Ltd. is better known by its trade name Foxconn.[64] Foxconn owns a controlling stake (45 percent) in conspirator Hitachi Displays.[65] Foxconn also has a long relationship with Chimei. In 2007, the two companies entered a joint venture called Ampower.[66] Foxconn is the second largest shareholder

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[59] Merriman Decl. Ex. 47 ("Foxconn to Become Supplier of Vizio LCD TVs," DigiTimes, Mar. 1, 2007).

[60] Merriman Decl. Ex. 48 ("Vizio Sees 2012 With Optimism," DigiTimes, Nov. 2, 2011).

[61] AmTRAN also recently signed a brand license agreement with JVC that provides AmTRAN the right to distribute televisions under the JVC brand. Merriman Decl. Ex. 49 ("Amtran Slates JVC Brand TV Relaunch," TWICE, July 5, 2011).

[62] Merriman Decl. Ex. 50 ("Amtran Signs MOU with LG Display for High End LED-Backlit Display Products," DigiTimes, July 26, 2010).

[63] Merriman Decl. Ex. 51 ("Amtran, Everlight and LG Display to Form LED Packaging JV for LCD TV Market," DigiTimes, June 4, 2010).

[64] Merriman Decl. Ex. 47.

[65] Merriman Decl. Ex. 52 ("CMI Actively Expanding LTPS Capacity," DigiTimes, Dec. 28, 2010).

[66] Merriman Decl. Ex. 53 ("CMO-Foxconn Inverter Joint Venture Starts Shipping, Reports Paper," DigiTimes, July 7, 2007).

of Chimei and is in the process of obtaining a greater stake in the conspirator.[67] Chi Mei's new chairman is from Foxconn.[68] Additionally, Foxconn recently purchased a 10 percent stake in conspirator Sharp.[69]

Vizio is owned and dependent on entities with significant investments in and relationships with panel conspirators. There is no realistic possibility that it will bring suit.

7. Summary

There is abundant evidence, even before trial, demonstrating control of the *Royal Printing* vendors by the conspirators. Because of their "interlocking directorates, minority stock ownership, loan agreements that subject the [direct purchasers] to the [conspirators'] operating control, trust agreements, or other modes of control," *Brand Name Drugs Litig.*, 123 F.3d at 605-06, the *Royal Printing* vendors share a "unity of interest" with the conspirators such that "there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation," *Freeman*, 322 F.3d at 1145-46 & n.12. Costco therefore should be allowed to pursue claims based on its purchases from these vendors.

C. The Remote Possibility that Some of the *Royal Printing* Vendors Might Be Default Members of the Class Does Not Defeat Costco's Claim.

Defendants additionally contend that five or six of the nine *Royal Printing* vendors fall within the definition of the direct purchaser plaintiff ("DPP") class, did not opt out by the deadline, and thus might participate in the DPP settlements. There are genuine factual disputes about each of these assertions, however, and even if Defendants were correct, a vendor's passive inclusion in the class would not insulate Defendants from Costco's claims.

First, Defendants provide no evidence to support their assertions regarding the vendors' inclusion in the class. Some of the *Royal Printing* vendors are unquestionably excluded from the

.[67] Merriman Decl. Ex. 54 ("Foxconn to Subscribe to CMI New Shares," DigiTimes, Mar. 28, 2012).

[68] Merriman Decl. Ex. 55 ("Hon Hai's Tuan Elected Chimei Innolux Chairman," China Post, Mar. 18, 2012).

[69] Merriman Decl. Ex. 56 ("Sharp Sell 10% Stake to Foxconn," TWICE, Mar. 28, 2012).

class because they are "affiliates" of co-conspirators; indeed, Defendants appear to concede Panasonic's exclusion from the class on this basis. Mot. at 13-14. Acer and Gateway (and thus eMachines) have opted out. More importantly, the DPP class is also limited to entities that purchased LCD panels or products "in the United States." *See* MDL Dkt. 1883. Consequently, the class excludes entities that purchased abroad even for finished products intended for ultimate sale in the United States. As the Court has previously recognized, manufacturers of finished LCD products, such as the *Royal Printing* vendors at issue here, typically purchased the LCD panels for their products overseas. MDL. Dkt. 3833. And contrary to Defendants' halfhearted argument (presented solely in a footnote), these vendors' overseas purchases of panels does not mean that Costco's claims are barred by the Foreign Trade Antitrust Improvements Act, 15 U.S.C. § 6a. The Court has already squarely rejected Defendants' argument, holding that because the co-conspirators' activities were directed at the U.S. market, nothing in the FTAIA prevents domestic finished product purchasers that suffered domestic antitrust injuries from recovering for those injuries, even if the panels were first purchased overseas. MDL. Dkt. 3833.

Moreover, even if Defendants were able to show that some of the *Royal Printing* vendors fell within the class definition, it would not mean that they have pursued their claims or that overcharges to them are included in the settlements. Nothing in the settlement agreements or accompanying materials explains sufficiently how the volume of commerce was calculated, including whether Costco's vendors were accounted for.

Finally, Defendants are wrong to suggest that the passive act of remaining in the class, if ever in it, is tantamount to pursuit of a vendor's antitrust claims. Mot. at 13-14. Defendants cite no supporting legal authority, and the one case they do cite is inapplicable. Defendants allege that in *Sun Microsystems* the court granted summary judgment on indirect-purchaser claims because "two intermediate [direct purchasers] were members of the direct-purchaser class." Mot. at 13 (citing 608 F. Supp. 2d at 1182). This omits one crucial fact: the intermediaries were not only in the class, but also had submitted claim forms to participate in the settlement. *Sun Microsystems*, 608 F. Supp. 2d at 1182.

That is not the case here. Defendants have access to the information but have provided no evidence that any of Costco's vendors filed a claim, even though the claims process is closed. Costco has tried but has been denied access to the claim submissions. Merriman Decl. ¶¶ 2-4. If the Court wishes to fill the void in information that Defendants have created, it can order disclosure by the claims administrator. But there is no reason to allow Defendants to escape liability based on sheer speculation that a vendor might have filed a claim.

V. CONCLUSION

Federal law permits Costco's claims where its vendors are sufficiently affiliated with the direct purchasers that there is no realistic possibility they will sue. The evidence to date shows that the *Royal Printing* vendors are subject to control by the conspirators through majority and minority ownership interests, overlapping directorates, joint ventures, strategic alliances, cross-license agreements, and loan agreements. The Court should deny Defendants' motion.

Dated: July 20, 2012

Respectfully submitted,

/s/ David J. Burman

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EXHIBIT D

THE HONORABLE RICHARD A. JONES

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

COSTCO WHOLESALE CORPORATION,

Plaintiff,

v.

AU OPTRONICS et al.,

Defendants.

No. 13-cv-1207-RAJ

COSTCO'S OPPOSITION TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT REGARDING TIMING OF OWNERSHIP OR CONTROL

REDACTED - PUBLIC VERSION

NOTE ON MOTION CALENDAR:
July 18, 2014

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I. INTRODUCTION

It is understandable that Defendants would like to forget what happened before the MDL Court but inexcusable that they would mislead the Court in that effort. Notwithstanding their statements to the contrary, Defendants already argued that the *Illinois Brick* direct-purchaser rule is satisfied only by present—not former—ownership or control. And they lost. In denying Defendants' motion for summary judgment against Costco, the MDL Court held that the requisite ownership/control could be based on relationships that existed during or after the conspiracy. Defendants provide no basis for the Court to revisit this issue.[1]

II. BACKGROUND

In December 2006, the Department of Justice and foreign authorities revealed the existence of anticompetitive activity among LCD manufacturers. In subsequent criminal proceedings, each of the Defendants and many of their co-conspirators pleaded guilty to or were convicted of fixing prices of LCD panels found in consumer products including televisions and monitors sold in the United States.[2] As part of their negotiated pleas, the Defendants agreed that

[1] To the extent it was unclear from prior filings, Costco has dropped its claims based on purchases from Mitsubishi and Samsung Opto-Electronics. Costco seeks to recover only for overcharges on purchases from six vendors, all of whom were conspirators or off-spring or parents of conspirators: Samsung, Sharp, Toshiba, Philips, Panasonic, and JVC.

[2] *See* MDL Dkt. 749 at 4 (LG Display Joint Sentencing Memorandum and Plea Agreement) (Dec 8, 2008) (admitting volume of affected U.S. commerce of $2.5 billion and agreeing to criminal fine of $400 million); MDL Dkt. 1508 at 3-4 (Chi Mei Joint Sentencing Memorandum and Guilty Plea) (Feb. 2, 2010) (admitting volume of affected U.S. commerce of $985 million and agreeing to fine of $220 million); MDL Dkt. 1900 at 3-4 (HannStar Joint Sentencing Memorandum) (July 22, 2010) (admitting volume of affected domestic commerce of $107 million and agreeing to fine of $30 million); MDL Dkt. 750 at 4-5 (Sharp Joint Sentencing Memorandum and Plea Agreement) (Dec. 8, 2008) (admitting volume of affected commerce of $511 million and agreeing to fine of $120 million); MDL Dkt. 1000 at 3-4 (Hitachi Joint Sentencing Memorandum and Plea Agreement) (May 20, 2009) (admitting volume of affected commerce of $130 million and agreeing to fine of $30 million); *United States v. Hui Hsiung*, No. 12-10492, —F.3d—, 2014 WL 3361084, at *10 (9th Cir. July 10, 2014) (affirming conviction of AUO and fine of $500 million based on the jury's finding of gross gain in the U.S. of over $500 million).

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the government would not seek restitution and that purchasers would recover the overcharges they paid through civil actions.[3]

Civil actions soon followed. On December 14, 2006, a retailer filed a complaint in the Western District of Tennessee "individually and on behalf of all other persons or entities who purchased liquid-crystal display products."[4] By April 2007, at least twenty actions had been filed nationwide, leading the Judicial Panel on Multidistrict Litigation to consolidate the cases for pretrial purposes in the Northern District of California as MDL No. 1827.[5] The MDL Court certified the direct-purchaser-plaintiff ("DPP") class in March 2010.[6] Thereafter, Costco opted out of that class and took control of its individual action by filing in this Court in November 2010.[7] Costco's case was then transferred back to the MDL Court for pretrial proceedings.

The MDL Court assigned Costco's case to the "Track 1" schedule along with cases brought by other large retail plaintiffs, finished-product manufacturers, and state attorneys general. The schedule for Track 1 included deadlines for fact and expert discovery, dispositive motions, and other pretrial proceedings.[8] At Defendants' request, the deadline for filing dispositive motions was ultimately extended to July 17, 2012.[9] Defendants filed over two dozen

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[3] *See, e.g.*, MDL Dkt. 1508 at 3 (Chi Mei Joint Stenting Memorandum and Plea Agreement) (Feb. 2, 2010) ("The United States will not seek restitution in this case in light of the civil cases filed against Chi Mei . . . .").

[4] Declaration of Nicholas H. Hesterberg in Support of Costco's Opposition to Defendants' Motion for Summary Judgment Regarding Timing of Ownership or Control ("Hesterberg Decl."), Ex. 1 (Complaint in *Audio Video Artistry v. Samsung Electronics Co., Ltd.*, *et al.*, No. 2:06-cv-02848-SHM-dkv, Dkt. 1, Dec. 14, 2006 (W.D. Tenn.)).

[5] MDL Dkt. 5 (Transfer Order of the Judicial Panel on Multidistrict Litigation) (Apr. 26, 2007).

[6] MDL Dkt. 662-1 (Order Granting in Part and Denying in Part Direct Purchaser Plaintiffs' Motion for Class Certification) (Mar. 28, 2010).

[7] Dkt. 1 (Complaint in *Costco Wholesale Corp. v. AU Optronics Corp., et al.*, No. 2:10-cv-01939) (Nov. 30, 2010).

[8] MDL Dkt. 3110 (Stipulation and Order Modifying Pretrial Schedule for "Track One" Direct Action Plaintiff and State Attorney General Cases) (July 14, 2011).

[9] MDL Dkt. 5935 (Amended Special Master's Order re Motion to Extend Dispositive Motion Deadline in Track One DAP Cases) (June 15, 2012).

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motions for summary judgment in the Track 1 cases, including eight in Costco's case, two of which addressed the contours of the ownership/control prong of the *Illinois Brick* direct-purchaser rule.[10]

III. ARGUMENT

Defendants begrudgingly acknowledge that federal law permits Costco to recover overcharges on LCD products purchased from conspirators and vendors owned or controlled by—or that themselves owned or controlled—a conspirator.[11] As first explained by the Ninth Circuit in *Royal Printing Co. v. Kimberly-Clark Corp.*, 621 F.2d 323 (9th Cir. 1980), and confirmed most recently in *In re ATM Fee Antitrust Litig.*, 686 F.3d 741 (9th Cir. 2012), the so called "indirect-purchaser rule" established by *Illinois Brick Co. v. Illinois*, 431 U.S. 720 (1977), does not deny a plaintiff's federal claim where it purchased a product containing a price-fixed component from a vendor that had an ownership/control relationship with one or more conspirators. On this basis, the MDL Court repeatedly rejected Defendants' attempts to hide behind the *Illinois Brick* wall. *See, e.g.*, MDL Dkt. 7188 (Order Denying Defendants' Joint Motion and Toshiba's Separate Motion for Partial Summary Judgment for Lack of Standing Under *Illinois Brick* and *In re ATM Fee*) (Nov. 19, 2012).

Not content to abide by all of Judge Illston's rulings on this issue, Defendants seek to revisit their argument that ownership/control at only one point in time is relevant: not during the conspiracy period itself, but rather on the date when an opt-out plaintiff files its individual

[10] MDL Dkt. 5979 (Defendants' Motion for Partial Summary Judgment as to Costco's Claims Based on Indirect Purchases) (June 22, 2012); MDL Dkt. 6234 (Defendants' Motion for Partial Summary Judgment for Lack of Standing Under *Illinois Brick and In re ATM Fee)* (July 20, 2012).

[11] Defendants state that Costco "did not purchase products from Defendants," Motion at 1, which is misleading in light of joint and several liability. Although Costco did not purchase directly from the four corporate families that remain in the case, the majority of Costco's damages are based on purchases from three vertically-integrated corporate families that were previously defendants: Samsung, Sharp, and Toshiba. As defendants later concede, the "control relationships [with respect to these vendors] are not in dispute given that the vendor is vertically integrated with an alleged conspirator." Motion at 4, n.2. Despite this concession, Defendants have repeatedly rebuffed Costco's requests that they formally agree not to contest ownership/control as to those vendors.

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complaint. Defendants cite no law in support of this interpretation, and none exists. Nor do they explain how it best furthers the policy of *Royal Printing*. At most they say it is a strict rule and one that favors them in this particular case.

Ninth Circuit and MDL Court rulings make clear, however, that ownership/control during *or* after the conspiracy suffices. This is consistent with the policy rationale underlying the rule itself, particularly as a contrary interpretation would allow price-fixers to shield themselves from liability by spinning off or otherwise ending their relationships with the owned/controlled affiliates as soon as they realize the jig is up. In any event, this Court need not and should not entertain Defendants' argument because it was decided by the MDL Court and there is no basis to revisit it. Even if they had not already raised the issue, they should not have another opportunity to do so here.

A. The Court Should Deny Defendants' Motion Because There Is No Basis To Reconsider the MDL Court's Ruling

Defendants' motion seeks to disrupt the intended efficiency of the MDL process. The multidistrict litigation statute, 28 U.S.C. § 1407, conserves judicial resources by permitting consolidation of multiple cases for uniform pretrial proceedings before a single judge. *See In re Food Lion, Inc. Fair Labor Standards Act Effective Scheduling Litig.*, 73 F.3d 528, 531-32 (4th Cir. 1996) (discussing statute's purpose). The finality of decisions made by the transferee court is an essential feature of the MDL system. *See id.* at 532 ("[P]ermitting the transferor courts . . . to reconsider the transferee court's summary judgment orders will frustrate the aims of § 1407."); *see also In re Pharm. Benefit Managers Antitrust Litig.*, 582 F.3d 432 (3d Cir. 2009) ("[W]e do not believe that Congress intended that a 'Return to Go' card would be dealt to parties involved in MDL transfers."); *Winkler v. Eli Lilly & Co.*, 101 F.3d 1196, 1202 n.5 (7th Cir. 1996) ("It would vitiate much of the purpose of consolidating litigation if, after remand, parties could simply re-visit the transferee court's pre-trial rulings . . . ."); Stanley A. Weigle, *The Judicial Panel on Multidistrict Litigation, Transferor Courts and Transferee Courts*, 78 F.R.D.

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575, 577 (1978) ("If transferor judges were permitted to upset rulings of transferee judges, the result would be an undermining of the purpose and usefulness of transfer under Section 1407 for coordinated or consolidated pretrial proceedings because those proceedings would then lack the finality (at the trial court level) requisite to the convenience of witnesses and parties and to efficient conduct of actions."). To effectuate these policies, the Court should decline to reconsider the issues Defendants raise.

If the Court were inclined to consider Defendants' motion, it should at least apply the "law of the case" doctrine. *See, e.g., In re Multi-Piece Rim Products Liab. Litig.*, 653 F.2d 671, 678 (D.C. Cir. 1981) ("[S]ound exercise of the discretion implicit in this [law of the case] doctrine requires attention to the special authority granted to the multidistrict transferee judge. . . . . Proper coordination of complex litigation may be frustrated if other courts do not follow the lead of the transferee court."); 15 Fed. Prac. & Proc. Juris. § 3867 (4th ed.) ("[E]xceptions to the law of the case principle should be especially rare in these circumstances, because refusal to follow the previous ruling would result in the sort of piecemeal decision making that MDL centralization is intended to avoid." (internal citations omitted)); Manual for Complex Litigation (4th ed.) § 20.133 ("Although the transferor judge has the power to vacate or modify rulings made by the transferee judge, subject to comity and 'law of the case' considerations, doing so in the absence of a significant change of circumstances would frustrate the purposes of centralized pretrial proceedings."). Under the law of the case doctrine, "a court is generally precluded from reconsidering an issue previously decided by the same court, or a higher court in the identical case." *Milgard Tempering, Inc. v. Selas Corp. of Am.*, 902 F.2d 703, 715 (9th Cir. 1990).[12] Reconsideration is only permitted where "(1) the first decision was clearly

[12] Defendants are wrong in suggesting that the MDL Court did not decide the sort of issue that creates law of the case. *See* Motion at 16 n. 11. The unpublished memorandum opinion Defendants cite (in violation of Ninth Circuit Rule 36-3) merely found only that no law of the case was established where the prior judge merely "found substantial evidence from which a reasonable juror could decide [in favor of the opposing party]." *Burbank v. City of Idaho Falls*, 98 F.3d 1345 (9th Cir. 1996). Although it is axiomatic that a decision denying summary judgment does not resolve the factual issues at hand—and that the evidence may change as the case develops—that is of course a much different proposition than to

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erroneous and would result in manifest injustice; (2) an intervening change in the law has occurred; or (3) the evidence on remand was substantially different." *Id.* (citing *Eichman v. Fotomat Corp.*, 880 F.2d 149, 157 (9th Cir. 1989)).

As discussed in the following section, the MDL Court considered the arguments made by Defendants and Costco regarding the relevant timeframe for evaluating ownership/control relationships and established that the jury may consider evidence of ownership/control during or after the conspiracy. To be sure, the MDL Court's ruling denied Defendants' motion for summary judgment with respect to two of the three vendors at issue in Defendants' instant motion, specifically reserving for the jury the factual question of whether Panasonic's (and its affiliate JVC's) relationship with conspirator Toshiba Matsushita Display Technology Co., Ltd. ("TMD") *during* the conspiracy or Panasonic's relationship with conspirator IPS Alpha Technology Ltd. ("IPS Alpha") *after* the conspiracy was sufficient to satisfy the ownership/control exception. This was necessarily a rejection of Defendants' timing argument. Defendants do not even attempt to argue that the MDL Court's ruling was clearly erroneous or that intervening changes justify reconsidering the MDL Court's ruling. Because the MDL Court squarely (and correctly) addressed the very issue that Defendants would have this Court revisit, the Court should refuse to entertain Defendants' motion.

B. The Parties Raised the Timing Issue, and the MDL Court Agreed with Costco

Despite Costco's effort to remind them of the arguments made to and resolved by the MDL Court,[13] Defendants continue to insist that the parties did not raise the ownership/control timing issue and that the MDL Court did not side with Costco. Their selective amnesia is no basis to reconsider this issue.

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say that a *legal* issue necessarily addressed by a summary judgment ruling does not establish law of the case. By ruling that the jury could consider evidence of ownership/control during and after the conspiracy, the MDL Court necessarily decided that either form of proof would be sufficient as a matter of law. That is the law of the case here.

[13] *See* Dkt. 475 (Costco's Opposition to Defendants' Motion for Leave to File Pretrial Motions) (June 2, 2014).

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Over two years ago, Defendants moved for summary judgment on the ground that Costco's purchases from certain vendors were barred under *Illinois Brick*.[14] Defendants specifically sought to exclude Costco's purchases from Panasonic and JVC due to the lack of ownership/control relationships between those vendors and any alleged conspirators.[15] Less than a month later, the Ninth Circuit clarified the contours of the ownership/control rule in its decision in *ATM Fee*.

In opposition to Defendants' motion, Costco proffered undisputed evidence regarding the relationships between its vendors and the LCD conspirators.[16] For example, Costco provided evidence that Panasonic's ownership interest in and control over the board of directors of TMD, jointly with conspirator Toshiba, started at TMD's inception in 2002 and "continued throughout the conspiracy."[17] Costco also argued that recovery for Panasonic purchases was permissible based on Panasonic's ownership/control, again jointly with other conspirators, of conspirator IPS Alpha. Costco noted that IPS Alpha began as a joint venture between Panasonic and conspirators Toshiba Corporation and Hitachi Displays, Ltd., and stated that Panasonic took control of IPS Alpha when it acquired a 92 percent share "[a]fter the conspiracy" ended.[18] Citing Costco's brief and the accompanying "evidence of control both from the alleged conspiracy period and from before and after Costco filed its complaint," Defendants acknowledge that Costco argued to the MDL Court that "control . . . *at any time* is sufficient to satisfy the Illinois Brick exception."[19]

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[14] MDL Dkt. 5979 (Defendants' Joint Motion for Partial Summary Judgment as to Plaintiff's Claims Based on Indirect Purchases) (June 22, 2012).

[15] *Id.*

[16] *See* MDL Dkt. 6370 (Costco's Opposition to Defendants' Joint Motion for Partial Summary Judgment as to Indirect Purchases) (Aug. 3, 2012).

[17] *Id.* at 14.

[18] *Id.* at 14015.

[19] Dkt. 467 at 10 (Defendants' Motion for Leave to Submit Pretrial Motions) (May 22, 2014) (emphasis in original).

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In their MDL reply to Costco's opposition, Defendants explicitly raised the timing issue. As they do here, Defendants took issue with Costco's argument that Panasonic's former relationship with TMD could satisfy the ownership/control rule. And like here, the claimed that only control over current litigation decisions satisfies the rule, arguing that "[p]roof of former ownership and control would not have been sufficient to invoke the owned or controlled exception. . . . Former ownership or control of a conspirator would not place Panasonic in a position in which this risk is present. The present litigation decisions of Panasonic are not in the hands of TMD, and Panasonic is not in a position to suffer economically by virtue of a finding that TMD is liable for price fixing."[20]

The timing issue was so significant that it was a focus of oral argument, again in conjunction with Panasonic. There, counsel for Costco reiterated its argument that Panasonic's ownership/control relationship with either TMD or IPS Alpha satisfied the rule, and counsel for HannStar reiterated Defendants' argument that "we think that the right – the right focus is on the present time, given the nature of the exception."[21] Defendants further argued that:

> And, the reason we focus on the present – and I want to refine that a bit, but the reason we focus on the present is if the concern is with the availability of a plaintiff to enforce, you have to look at what's going on now. It doesn't matter what happened in the past, because the past ownership can't drive the litigation decisions today. And if that is the focus, then today is the proper time to look at. [22]

In response, counsel for Costco argued that:

> [The relevant] time period is the beginning of when the alleged violation occurs, to the present. We do not accept that the focus for the ownership or control analysis is – is today, only. I think that's inconsistent with how the analysis has been applied by the Ninth Circuit in all of the cases, which have focused on what was happening or what was the ownership or control at the time of the

[20] Dkt. 243 at 5 (Defendants' Reply in Supp. of Mot. for Partial Summ. J. as to Plaintiff's Claims Based on Indirect Purchases) (Aug. 17, 2012).

[21] Transcript of Proceedings on December 7, 2012, MDL Dkt. 7421 at 12 (Dec. 26, 2012).

[22] *Id.* at 13.

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> alleged violation. . . . [W]e think the whole period is relevant. And, and that's consistent with the cases thus far.[23]

Defendants' assertion that they "did not raise the timing question at summary judgment" is thus indefensible. Motion at 5. They might have slightly modified their position on the timing issue, but they cannot seriously dispute that timing was a central focus for the parties and the MDL Court. And in its ruling, the MDL Court undeniably agreed with Costco's position. In denying Defendants' motion for summary judgment as to Costco's purchases from Panasonic and JVC, the MDL Court carefully examined the evidence of Panasonic's ownership/control of TMD during the conspiracy period and IPS Alpha after the conspiracy period.[24] On the basis of both of these relationships, the Court held that the evidence created triable issues of fact regarding "Panasonic's ownership and control of alleged co-conspirators."[25] As such, the MDL Court determined that the jury would decide whether Panasonic's relationship's with either TMD or IPS Alpha was sufficient to satisfy the exception. So too did the MDL Court reject Defendants' timing argument in its ruling as to JVC, denying Defendants' motion for summary judgment on the basis of "evidence that JVC operated as a subsidiary of Panasonic *during the conspiracy*."[26]

The MDL Court's ruling necessarily adopted Costco's position regarding timing and rejected Defendants' argument that ownership/control could be based only on post-conspiracy relationships. This was confirmed during the subsequent trial involving Best Buy and Defendants HannStar and Toshiba, during which Judge Illston instructed the jury regarding the

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[23] *Id.* at 16-17.

[24] MDL Dkt. 7422 at 6-7 (Order Granting in Part Defendants' Joint Motion for Summary Judgment as to Costco's Indirect Purchases) (Dec. 26, 2012).

[25] *Id.*

[26] *Id.* at 7 (emphasis added).

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contours of the ownership/control rule and did not provide any temporal limitations on the jury's inquiry.[27]

However, if the Court agrees with Defendants' claim that they did not raise the timing question at summary judgment, it still should deny them the opportunity to do so here. As explained in Costco's FTAIA Opposition filed concurrently herewith, the MDL Court was charged with disposing of all pretrial motions pursuant to the schedule the MDL Court set. The summary judgment schedule governing this action "may be modified only for good cause," Fed. R. Civ. Proc. 16(b)(4), and Defendants do not even attempt to set forth what "good cause" justifies giving them a third bite of the apple on the ownership/control issue.

Nevertheless, the Court should find that the timing issue was raised and decided by the MDL Court. Defendants provide no basis to depart from the law of the case on this issue, and Defendants' motion should be denied on that ground alone. But even if the Court is inclined to revisit the issue, it should reach the same result and provide a jury instruction like Judge Illston's.

C. The MDL Court's Ruling Follows Authority Establishing that Ownership/Control During the Conspiracy Satisfies *Illinois Brick*

Not only is Defendants' novel interpretation of the timing issue contrary to the MDL Court's ruling, it is devoid of any support in the case law regarding the contours of the ownership/control rule. Defendants do not—and cannot—point to a single case holding that

[27] Transcript of Jury Instructions, *In re TFT-LCD (Flat Panel) Antitrust Litig.*, MDL No. 1827 (N.D. Cal. Aug 29, 2013) (Hesterberg Decl. Ex. 7) ("You have heard evidence and argument and – and you will hear argument about the Plaintiffs' purchases of finished products containing LCD panels, and you have heard the attorneys in the case refer to the federal Sherman Act claims as 'Direct purchases.' The Sherman Act applies to purchases of finished products when a Plaintiff: 1, buys a product containing a panel made by a conspirator, or that was made by an entity that is owned or controlled by, or owns or controls, any one of the conspirators; and 2, the finished product was sold to Plaintiff by a conspirator or by an entity which is owned or controlled by, or owns or controls, any one of the conspirators. 'Own' means to own greater than 50 percent of the stock of the company in question. 'Control' means to exercise restraint or direction over; dominate, regulate, command or to have the power or authority to guide or manage. Stock ownership alone, when it amounts to less than a majority, is not sufficient proof of domination or control. Mere input into policies or pricing issues, on its own, is not control.").

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ownership/control must be measured only at the time a plaintiff's complaint is filed. Indeed, the Ninth Circuit and other courts routinely examine whether ownership/control existed during the conspiracy period or afterward. In fact, some courts outside the Ninth Circuit suggest that the exception may be met exclusively through ownership/control during the conspiracy. As to the Panasonic/TMD and Philips/LG Display situations, Defendants do not even try to explain how a former joint venture partner could sue the joint venture for conduct undertaken on the partner's watch. Consequently, the rule adopted by the MDL Court is most consistent with the policy underlying the ownership/control rule and the case law interpreting it.

The Ninth Circuit's most recent pronouncement regarding the ownership/control rule confirms the necessity of examining the relationships between conspirators and direct purchasers that existed during the conspiracy period. In *ATM Fee*, a class of ATM cardholders alleged that from July 2000 until the filing of their complaint in July 2004, the defendants had fixed the prices of "interchange fees" paid by the card-issuing banks ("Bank Defendants"). 686 F.3d at 746. The plaintiffs did not pay those fees but instead paid a "foreign ATM fee" to the Bank Defendants when they withdrew money from the Bank Defendants' ATMs. *Id.* at 750. Because plaintiffs indirectly paid the price-fixed interchange fees, they could recover only if an exception to the *Illinois Brick* direct-purchaser rule was met. *Id.* at 744. The Ninth Circuit considered the applicability of the various exceptions to the *Illinois Brick* rule, including whether the Bank Defendants (the "direct purchasers" of the interchange fees that were allegedly passed through to plaintiffs in the form of higher foreign ATM fees) owned or controlled the STAR Network (the "seller" of the price-fixed interchange fees). *Id.* at 750-58. Critically, the Ninth Circuit did not limit its inquiry to the ownership/control relationship that existed on the date plaintiffs filed their complaint. *See id.* at 757. Instead, the Court examined the relationship between the Bank Defendants and the STAR Network that existed during the conspiracy period, both before and after a February 2001 transaction that affected the relationship. *Id.* at 757-58; 757 n. 10. Plainly,

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such an examination would have been unnecessary if the only relevant time period for ownership/control was on the day the plaintiff sued.

Other ownership/control cases within the Ninth Circuit appear to have involved relationships between conspirators and direct purchasers that remained static throughout and after the conspiracy period. However, the decisions in *ATM Fee* and by the MDL Court in this case confirm that ownership/control during the conspiracy satisfies the rule. This is consistent with the decisions of some courts outside the Ninth Circuit that have suggested that the rule may apply where ownership/control existed only during the conspiracy. As these courts note, the rule must apply where the relationship between the "direct purchaser and either the defendant or the indirect purchaser [is such] that there effectively has been only one sale [of the price-fixed product]." *See Jewish Hospital Ass'n v. Stewart Mech. Enters.*, 628 F.2d 971, 975 (6th Cir. 1980); *see also id.* (assessing whether the "two-step transaction" has been "convert[ed] . . . into the equivalent of a single sale"); *Kloth v. Microsoft Corp.*, 444 F.3d 312, 321 (4th Cir. 2006) (analyzing whether defendant's control of its affiliate during the conspiracy period enabled it to "set prices along the chain of distribution"); *see also ATM Fee*, 686 F.3d at 757 (noting that the ATM Network Advisory Board, consisting of some of the Bank Defendants, "had no power to set [the allegedly price-fixed] interchange fees . . . ."). These rulings are consistent with the language and policy of *Illinois Brick* itself, which expressed concern with situations where "market forces have been superseded" via the close relationship between the parties during the conspiracy period itself. 431 U.S. at 736 n. 16.

Defendants make much of dicta regarding the "realistic possibility of suit," apparently forgetting that they argued against basing the direct-purchase definition on that standard.[28] But even if the direct purchaser's willingness to sue were measured only at the point in time when the real plaintiff actually did sue, there is no reason to believe that entities with the requisite

[28] *See* MDL Dkt. 6496 (Defendants' Reply in Support of Motion for Partial Summary Judgment as to Costco's Claims Based on Indirect Purchases) (Aug. 17, 2012).

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ownership/control relationships during the course of a conspiracy would sue one another once the conspiracy had concluded. Indeed, given the frequent overlap between board members, executives, and key employees, such suits would often require the former affiliates to implicate their own personnel and actions.[29] It is therefore unsurprising that none of the vendors identified in Defendants' motion have filed suit against the LCD conspirators.[30]

Defendants' purported policy justifications for limiting the inquiry to the time of suit are just as unavailing. First, Defendants complain that the MDL Court's approach requires consideration of relationships that changed over a long period of time. To the extent this is true, it is only because Defendants' price-fixing conspiracy was so long-lived and their industry so rife with intertwined economic relationships between LCD panel makers and finished-product manufacturers. Plaintiffs should not be punished for conditions Defendants created and that contributed to the effectiveness of the conspiracy. Similarly, even if Defendants' novel interpretation might have a marginal impact on the number of factual issues for the jury to decide in complex antitrust cases, that would hardly be reason to deny plaintiffs the right to recover the overcharges they paid. If Defendants are correct, for example, that there is merely an "illusion of control between IPS Alpha and JVC," Motion at 14, the jury is of course free to reach that conclusion. Instead, the MDL Court has already considered the parties' arguments regarding

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[29] *See, e.g.*, Hesterberg Decl. Ex. 2 (TSB-LCD-0259646 at -651) (2003 organizational chart showing high-level TMD executives and board members affiliated with Panasonic); Hesterberg Decl. Ex. 3 (TSB_LCD1_00468647 at -649-650) (presentation showing that four of TMD's board members were from Panasonic in 2005); Hesterberg Decl. Ex. 4 (TSB_LCD1_00466258 at -260-261) (same in 2006).

[30] There is certainly no realistic possibility that Panasonic will sue as it was identified as a co-conspirator by the direct-purchaser plaintiff class and thus purchases made directly from Panasonic were recoverable by class members. *See* DPP Class Administration Website, available at: https://secureweb.rustconsulting.com/tftlcdclassaction/. So too was Panasonic identified by a co-conspirator by many of the opt-out plaintiffs. *See* MDL Dkt. 7109 at 2 (Order Granting in Part and Denying in Part Motion for Partial Summary Judgment as to Nonparty Co-Conspirators) (Nov. 6, 2012) (denying Defendants' motion for summary judgment against various direct action plaintiffs because "there is admissible evidence from which a jury could conclude that Mitsubishi, Fujitsu, IPS Alpha, and Panasonic participated in the price-fixing conspiracy"). To the extent the realistic possibility of suit is relevant, the issue is not whether Costco in particular chose to name Panasonic as a conspirator but whether Panasonic would be deterred from filing its own suit by knowing that others had or would do so.

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that very relationship and concluded that Costco's conspiracy and post-conspiracy evidence was sufficient to create triable issues of fact. Contrary to Defendants' claim, there is nothing "absurd" about that result.

It is Defendants' untested approach that creates bad policy and risks absurd results. If ownership/control were determined only at some point in time after the conspiracy had concluded, price-fixers could shield themselves from liability by severing their ties with their affiliate, thus ensuring that nobody who purchased from the affiliate could enforce the federal antitrust laws. That is the opposite of a key purpose of the ownership/control rule. *See Royal Printing*, 621 F.2d at 326 ("[O]ur only alternative is to effectively immunize the transactions here from private antitrust liability, thus thwarting a vital part of the antitrust enforcement scheme and the expressed purpose of *Illinois Brick*."); *Freeman v. San Diego Ass'n of Realtors*, 322 F.3d 1133, 1146 ("Were we to grant immunity from section 1 merely because defendants nominally sell services through another entity rather than to consumers directly, we would risk opening a major loophole for . . . collusion."). The Court should decline Defendants' invitation to provide price-fixers like them with a blueprint to evade punishment for their wrongs.

D. Even if Defendants' Timing Theory Were Correct, There Would Be Triable Issues of Fact Regarding Each of the Relationships in Question

Defendants cannot be faulted for lacking creativity in dreaming up a new, self-serving limitation on the ownership/control rule. However, even if their baseless interpretation of the law were correct, it would have little impact on the factual issues the MDL Court determined the jury must decide. First, because the relevant corporate relationships were nearly the same during the conspiracy as when the class action complaint encompassing Costco's claim was filed in 2006, each of the factual questions identified by Judge Illston must, if still at issue, be resolved by the jury. Second, even if ownership/control were measured on the date a plaintiff opts out of the class and files an individual complaint, there would continue to be triable issues of fact with respect to Panasonic and JVC on account of Panasonic's ownership/control of co-conspirator IPS

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Alpha. In either case, a ruling for Defendants would not have a material impact on the issues to be decided at trial, and Defendants are disingenuous at best in their claim that resolution of this issue will meaningfully shorten the trial or streamline pretrial preparation.

Defendants make much of the corporate relationships as they existed in November 2010 but fail to explain why that date should matter. Conveniently, Defendants forget that Costco was a member of the direct-purchaser plaintiff class until it affirmatively opted out of the class and filed its own complaint. The first putative DPP class complaints were filed in December 2006. By definition, Costco's claims were included in those complaints.[31] As such, if one accepts Defendants' faulty premise that ownership/control must be measured on the date the plaintiff in question sues, the relevant date here would be on or about December 14, 2006.[32] *Cf. American Pipe and Const. Co. v. Utah*, 414 U.S. 538, 550 (1974) (holding that commencement of class action is the critical date for statute of limitations purposes even as to asserted class members that later opt out).

Of course, Defendants would rather ignore the ownership/control landscape that existed in December 2006 because evaluating ownership/control on that date would permit Costco to recover all of the damages it seeks. As for Panasonic, its 40 percent ownership interest and effective control over TMD's board of directors began at TMD's formation in 2002 and continued well beyond 2006. On the basis of this evidence, the MDL Court has already determined that it is for the jury to decide whether the Panasonic-TMD relationship satisfies the ownership/control rule.[33] So too did the MDL Court rule that Costco's claims for purchases

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[31] *See* note 4 *supra*.

[32] To the extent Defendants argue that a later date should apply, such as when the first consolidated DPP complaint was filed in November 2007, or when the third (and final) amended DPP complaint was filed in December 2009, this merely demonstrates the imprecision and unworkability of the rule they seek.

[33] MDL Dkt. 7422 at 6-7 (Order Granting in Part Joint Motion for Summary Judgment as to Costco's Indirect Purchases) (Dec. 26, 2012). The MDL Court's ruling also held that Panasonic's relationship with co-conspirator IPS Alpha could satisfy the ownership/control rule. Although Panasonic did not obtain a majority ownership interest in IPS Alpha until after December 2006, Costco submits that Panasonic's prior joint ownership of IPS Alpha—with conspirators' Hitachi and Toshiba—is an

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from JVC could go to the jury on account of Panasonic's ownership of JVC.[34] Because Panasonic continued to retain a majority ownership interest in JVC through December 2006, Costco's claims may proceed even if Defendants' motion is granted.

Similarly, Philips' ownership/control of conspirator LG Display continued beyond December 2006. The parties do not dispute that Philips held a 50 percent ownership interest in LG Display from July 1999 to July 2004.[35] [redacted] Although Philips' ownership share in LG Display slipped to 32.9 percent by December 2006, Philips continued to retain its pervasive influence over the company's operations and its Board of Directors.[38] The MDL Court has already held that the evidence of the Philips-LGD relationship is sufficient to send the

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independent basis for the jury to find that the ownership/control exception was met as of December 2006. Although Costco is not aware of any court that has resolved the issue, where the question is ownership of and not by a conspirator, substantial involvement and receipt of a share of the fruits of the conspiracy should be sufficient to satisfy the rule as to the part owner.

[34] *Id.* at 7.

[35] *See* Motion at 6. Philips purchased its interest in LG Display from LG Electronics in 1999. By that time, LG was already an active conspirator, having attended the key March 1998 conspiracy planning meeting. *See* H.S. Kim (Samsung) Dep. Tr. 43:20-43:23, 44:23-45:8 (Hesterberg Decl. Ex. 8). [redacted] *See* GRNE-B-0134455 (Hesterberg Decl. Ex. 9).

[36] *See* Hesterberg Decl. Ex. 5 at 48-49 (GRNE0322464 at -509-510) (Joint Venture Agreement Between LG Electronics Inc. and Koninklijke Philips Electronics N.V.) (July 26, 1999).

[37] *See id.*

[38] *See, e.g.*, *id.*; *see also* Hesterberg Decl. Ex. 6 (LG Display Form 20-F for the fiscal year ended December 31, 2006) (Apr. 11, 2007) ("Our two principal shareholders, LG Electronics and Philips Electronics, which together currently own approximately 70.8% of our voting stock, have significant influence over corporate decisions. LG Electronics and Philips Electronics together have control of all matters submitted to our shareholders for approval, including electing certain of our directors, amending our articles of incorporation and approving changes of control . . . In addition, we engage in a variety of related party transactions with our two principal shareholders and their respective affiliates.").

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ownership/control issue to the jury.[39] The same result is warranted even if ownership/control is measured only on the date that Costco's claim was asserted by the putative DPP class.

On the off chance that the Court concludes both that timing is relevant and that the relevant date is when Costco opted out and filed its individual complaint, Costco's claims based on purchases of Panasonic would still go forward. As Defendants acknowledge, Panasonic purchased conspirators Hitachi and Toshiba's shares in co-conspirator IPS Alpha and held a 92 percent stake in the company as of November 2010. *See* Motion at 7. The MDL Court held that this ownership interest is sufficient to send Costco's claim to the jury.[40]

Finally, contrary to Defendants' assertion, there is no reason for the Court to decide this issue now. Although Defendants remain steadfast in their refusal to stipulate to the incontrovertible facts in question, they know full well that the issue has no meaningful impact on "the parties' exhibits, deposition designations, fact witness examinations, their experts' damages presentations, and many other strategic decisions." Motion at 16. Costco intends to call a witness who will succinctly summarize the voluminous financial reports and filings that establish the relationships in question, as occurred at the Best Buy trial. Costco has already provided the underlying evidence to Defendants, and thus a ruling on this motion will have little impact on the parties' pretrial preparation or the scope of the trial. Defendants have already provided their exhibits, deposition designations, and live witness descriptions, and they can cannot seriously claim that this issue will consume more than fifteen minutes of trial time on this issue. As such, there is no practical reason for the Court to accept Defendants' invitation to consider their belated motion.

[39] MDL Dkt. 7188 (Order Denying Defendants' Joint Motion and Toshiba's Separate Motion for Partial Summary Judgment for Lack of Standing Under *Illinois Brick* and *In re ATM Fee*) (Nov. 19, 2012) (denying Defendants' motion for summary judgment as to dozens of plaintiffs' vendors, including Philips).

[40] MDL Dkt. 7422 at 7 (Order Granting in Part Defendants' Joint Motion for Summary Judgment as to Costco's Indirect Purchases) (Dec. 26, 2012).

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IV. CONCLUSION

The Court should not provide Defendants yet another bite of the apple. Instead, it should follow the law of the case, deny the motion, and, where the facts are legitimately contested, permit the jury to resolve the ownership/control issue consistent with the MDL Court's rulings.

DATED: July 14, 2014

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CERTIFICATE OF SERVICE

I certify that on July 14, 2014, I electronically filed the foregoing Opposition to Defendants' Motion for Summary Judgment Regarding Timing of Ownership or Control with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to all attorneys of record.

I certify under penalty of perjury that the foregoing is true and correct.

DATED this 14th day of July, 2014.

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EXHIBIT E

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

(SAN FRANCISCO DIVISION)

IN RE: TFT-LCD (FLAT PANEL) ANTITRUST LITIGATION	No. 3:07-md-1827 SI MDL No. 1827
This Document Relates to: Case No. 3:11-cv-00058-SI COSTCO WHOLESALE CORPORATION, Plaintiff, v. AU OPTRONICS CORPORATION, et al., Defendants.	**DEFENDANTS' JOINT NOTICE OF MOTION AND MOTION FOR PARTIAL SUMMARY JUDGMENT AS TO PLAINTIFF'S CLAIMS BASED ON INDIRECT PURCHASES** Date: August 24, 2012 Time: 9:00 a.m. Place: Courtroom 10, 19th Floor Hon. Susan Illston

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NOTICE OF MOTION AND MOTION FOR PARTIAL SUMMARY JUDGMENT

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on August 24, 2012, at 9:00 a.m., or as soon thereafter as the matter may be heard, in Courtroom 10, 19th floor, San Francisco, California, before the Honorable Susan Illston, the defendants listed in the signature blocks below ("Defendants") will and hereby do move the Court for partial summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure, as to claims based on Plaintiff Costco Wholesale Corporation's purchases of LCD Products from ten entities—Acer, Emachines, Envision, Gateway, JVC, Panasonic, Princeton GS, Proview, Sylvania, and Visio—that are not named defendants or alleged co-conspirators. These purchases by Costco are "indirect" and therefore barred. This motion is based upon this Notice of Motion; the following Memorandum of Points and Authorities; argument of counsel; and such other matters as the Court may consider.

MEMORANDUM OF POINTS AND AUTHORITIES
ISSUES PRESENTED

Whether the Court should grant partial summary judgment as to Costco's monetary damage claims arising out of its indirect purchases of LCD Products from entities that are neither named defendants nor alleged co-conspirators.

PRIOR RELEVANT ORDERS

Pursuant to this Court's Order of April 9, 2012 (MDL Dkt. No. 5430), the following prior orders entered in this MDL proceeding address "substantially similar arguments as those raised in [this] brief."

Date	Case No.	MDL Dkt. No.	Ind. Dkt. No.	Plaintiff Name	Issue(s) Addressed
8/29/11	11-00058	3396	45	Costco	Dismissal of Costco's claims under the laws of states other than Washington
11/28/11	11-00058	4195	82	Costco	Dismissal of Costco's claims under the laws of states other than Washington
11/7/11	07-1827	4108	N/A	Class Pls.	Ruling on motion for summary judgment regarding application of *Royal Printing*

I. INTRODUCTION

Costco's overreach prompts this motion for summary judgment. The Supreme Court's decision in *Illinois Brick*[1] held that "indirect" purchasers could not bring suit under federal law claiming Sherman Act violations. In *Royal Printing*,[2] the Ninth Circuit adopted a narrow exception to *Illinois Brick*, holding that a plaintiff that purchases from a subsidiary or division of a conspirator may bring a Sherman Act claim on that "indirect" purchase. In addition, certain states have, as a matter of policy, amended their state laws to allow indirect purchaser claims for damages. Washington is not one of them. With this Court's conclusion that Washington law governs Costco's state law claims, Costco now seeks to run an end around both *Illinois Brick* and Washington's policy decision barring indirect-purchaser claims. Costco is attempting to shoehorn its indirect-purchaser claims into the *Royal Printing* exception to *Illinois Brick*, without meeting the exception's requirements. Specifically, Costco seeks to recover Sherman Act damages for its indirect purchases from Acer Computers, EMachines, Envision Peripherals, Gateway, JVC, Panasonic, Princeton GS, Proview, Sylvania, and Vizio without alleging—let alone showing—that any of these companies participated in the alleged conspiracy or are a subsidiary or division of an alleged conspirator.

Costco's claims as to purchases from these ten entities fail as a matter of law. Moreover, allowing this unsupported result is nonsensical, as most of the ten entities whose position as direct purchasers Costco seeks to usurp are members of the Direct Purchaser Plaintiff Class, asserting the identical Sherman Act claims that Costco is pursuing in this case. Costco seeks an inequitable result that is contrary to policy and barred by law. Costco's claims based on its indirect purchases must be dismissed on summary judgment.

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[1] *Royal Printing Co. v. Kimberly-Clark Corp.*, 621 F.2d 323 (9th Cir. 1980).
[2] *Illinois Brick Co. v. Illinois*, 431 U.S. 720 (1977).

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II. STATEMENT OF FACTS

A. Costco's Non-Washington State Law Claims Have Been Dismissed

Costco originally asserted claims under Section 1 of the Sherman Act, the Washington Consumer Protection Act, the California Cartwright Act, the Arizona Antitrust Act, the Florida Deceptive and Unfair Trade Practices Act, and the Illinois Antitrust Act. Second Am. Compl., MDL Dkt. No. 4428, ¶¶ 184-213. In two previous orders, this Court dismissed all of Costco's claims *except* those asserted pursuant to the Sherman Act and the Washington Consumer Protection Act. First, on August 29, 2011, the Court dismissed Costco's Arizona, Florida, and Illinois state law claims, and dismissed Costco's California state law claim with leave to amend and allege a factual basis for California law to govern its claims. *See* MDL Dkt. No. 3396 (Order Granting In Part Defendants' Joint Motion to Dismiss Complaint). Second, on November 28, 2011, after Costco filed an amended complaint, the Court ruled once again that Washington law governs Costco's state-law claims and ultimately dismissed Costco's California state law claim. *See* MDL Dkt. No. 4195 (Order Granting Defendants' Joint Motion to Dismiss In Part Amended Complaint).

B. The Court Has Ruled, and Costco Has Acknowledged, that Washington Law Prohibits Its Indirect Purchaser Claims

This Court has ruled, and Costco has acknowledged, that Washington law prohibits private plaintiffs from asserting indirect-purchaser claims. As this Court has already ruled, "Washington does not allow indirect purchasers to recover under its antitrust laws, whereas California and Illinois both permit indirect purchasers to bring suit." MDL Dkt. No. 3396 at 6:5-8 (citing *Blewett v. Abbott Labs*, 86 P.2d 842, 844 (Wash. App. 1997)) (emphasis added). In opposing Defendants' second motion to dismiss, Costco expressly acknowledged this statement of Washington law as it relates to claims by private indirect purchasers. *See* Costco's Resp. to Defs.' Joint Mot. to Dismiss Am. Compl., MDL Dkt. No. 4067, at 2:2-7 ("Washington simply authorizes only the State to initiate suit in those circumstances.") (emphasis added).[3] There is no

[3] To this end, the Washington Attorney General has filed a lawsuit arising out of the same alleged facts in Washington state court and seeks to recover *parens patriae* for Washington businesses

dispute that Washington law prohibits Costco's indirect-purchaser claims. Indeed, Costco has expressly abandoned its reliance on *any* state law claims. *See* MDL Dkt. No. 5557 at 12:22-25 ("Costco Has No Remaining State Law Claims Against LG in this Action").

C. Costco Continues to Assert Damages For Indirect Purchases Based On Purchases from Entities that are Neither Named Defendants nor Alleged Co-conspirators

Costco's complaint indicates that it hopes to rely on the *Royal Printing* exception to the prohibition on indirect-purchaser claims. In relevant part, the complaint alleges as follows:

> <u>Costco purchased finished products containing LCD panels</u> from some Defendants and co-conspirators, from affiliates of some Defendants and co-conspirators, <u>from companies that have other important business arrangements with Defendants and co-conspirators</u>, and <u>from companies that have since gone out of business</u>. There is <u>no realistic possibility</u> that these sellers will seek to recover for the damage caused by the conspiracy, and in fact they did not seek to recover before the expiration of the statute of limitations.

Second Am. Compl. ¶ 55 (emphasis added).

On December 15, 2011, Costco submitted the Expert Report of B. Douglas Bernheim, Ph.D., Concerning Overcharges to Costco Wholesale Corporation on Products Containing LCD Panels ("Bernheim Report"). *See* Declaration of Christopher M. Wyant In Support of Def.'s Mot. for Partial Summ. J. as to Indirect Purchases ("Wyant Decl."), Ex. 1. The Bernheim Report asserts that Costco incurred damages arising out of purchases of LCD Products from ten entities that are neither named Defendants[4] nor alleged co-conspirators.[5] *Id.* at 4-5, ¶ 19. These "indirect

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and consumers, including Costco. *See State of Washington v. AU Optronics, Inc.*, et al., Case No. 10-2-29164-4, King County Superior Court.

[4] Costco's Second Amended Complaint named as defendants numerous individual entities or alleged corporate families of panel manufacturers including: AU Optronics, Chimei, Chunghwa, Epson, HannStar, Hitachi Displays, LG Display, Samsung, Sharp, and Toshiba. Second Am. Compl. ¶¶ 10-41.

[5] The following entities are identified as alleged co-conspirators in Costco's Second Amended Complaint: Fujitsu Limited, Fujitsu Display Technologies Corporation, Hydis Technologies, Co., Ltd. (f/k/a BOE Hydis Technology Co., Ltd.), Innolux Display Corporation, IPS Alpha Technology, Ltd.; Koninklijke Philips Electronics, N.V.; LG Electronics, Inc.; LG Electronics U.S.A., Inc. Mitsubishi Electronic Corporation, NEC LCD Technologies, Ltd., Philips Electronics North America Corp., Seiko Epson Corporation; S-LCD Corporation, and TPO Displays Corporation. *Id.* ¶ 46. Defendants do not concede that any of these entities are co-conspirators and anticipate filing a separate motion for summary judgment as to purchases from any and all of these entities.

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purchases" were made from the following entities: Acer Computers, EMachines, Envision Peripherals, Gateway, JVC, Panasonic,[6] Princeton GS, Proview, Sylvania, and Vizio (collectively, the "Indirect Suppliers").[7] *Id.* at 3, ¶ 12.

In explaining why his report included indirect purchases along with direct purchases, Professor Bernheim states that "[i]t is [his] understanding that all of these suppliers are alleged: to have participated in the conspiracy; to be affiliates of conspirators; <u>or to have sold products affected by the conspiracy to Costco and to be unable or unwilling due to corporate or business relationships to recover such overcharges themselves</u>." *Id.* at 3, ¶ 1 (emphasis added). The Bernheim Report, however, does not state any factual basis for these allegations, and Dr. Bernheim failed to articulate any factual basis for this statement at his deposition. Wyant Decl., Ex. 2 (Bernheim Dep. Vol. 2 at 403-405) (testifying that the Indirect Suppliers were included as a "consequence of instructions received from the attorneys, combined with the data on the actual transactions").

III. <u>STANDARD OF REVIEW</u>

"Summary judgment is proper 'if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to summary judgment as a matter of law.'" *Brilliant v. Tiffin Motor Homes, Inc.*, 2010 WL 2721531, at *1 (N.D. Cal. July 7, 2010) (citing Fed. R. Civ. P. 56(c)). Defendants face no burden on summary judgment where the plaintiff "fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 325 (1986). The burden is on the non-moving party to identify evidence sufficient to create a genuine issue for trial. *Id.* at 323. "[C]onclusory, speculative testimony in affidavits and moving papers is

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[6] Costco's complaint fails to make clear whether Costco intends to include Panasonic as an alleged co-conspirator or whether Costco alleges that purchases from Panasonic are "direct" under *Royal Printing*.

[7] The full names of the entities from which Costco made these purchases are not stated in the Bernheim Report.

insufficient to raise genuine issues of fact and defeat summary judgment." *Brilliant*, 2010 WL 2721531, at *2 (citing *Thornhill Publ'g Co., Inc. v. GTE Corp.*, 594 F.2d 730, 738 (9th Cir. 1979)); *see also Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986) ("[T]he non-moving party must 'do more than simply show that there is some metaphysical doubt as to the material facts.'").

IV. ARGUMENT

A. Costco's Claims Based on Purchases from the Indirect Suppliers Should Be Dismissed

This Court has already dismissed each state-law claim under which Costco might have recovered as to its indirect purchases of LCD panels. Both federal and Washington law unambiguously prohibit Costco (a private party) from recovering monetary damages based on purchases from entities that are neither named defendants nor alleged co-conspirators. *See Illinois Brick*, 431 U.S. at 730-31 (holding that indirect purchasers lack standing to sue for damages under Section 4 of the Clayton Act for alleged violations of the Sherman Act); *Blewett v. Abbott Labs*, 86 P.2d 842, 844 (Wash. App. 1997) (holding that Washington law does not permit indirect purchaser claims by private plaintiffs). Yet, as stated in the Bernheim Report, Costco continues to seek to recover damages based on its indirect purchases. Such damages are prohibited as a matter of law. Thus, Costco is barred from claiming damages based on purchases from the Indirect Suppliers, unless an exception to *Illinois Brick* exists. *See In re ATM Fee Antitrust Litig.*, 2010 WL 3701912 at *5 ("Given that Plaintiffs are not 'direct purchasers' . . . their damages claims are barred by the *Illinois Brick* rule, unless an exception to the rule applies."). No such applicable exception exists.

B. No Exception to *Illinois Brick* Applies to the Indirect Supplier Purchases.

In the face of this Court's prior rulings and Costco's admitted attempt to recover damages on its indirect purchases, Costco's legal theory as to these purchases is unclear. The Ninth Circuit has recognized that in *Illinois Brick* "[t]he Supreme Court intended to make a <u>bright line</u> rule for identifying the proper plaintiff when an antitrust violation occurs in a multi-tiered distribution

system." *Delaware Valley Surgical Supply, Inc. v. Johnson & Johnson*, 523 F.3d 1116, 1122 (9th Cir. 2008) (emphasis added). The Supreme Court has made clear that under federal law, the proper plaintiff is the direct purchaser, not the indirect purchaser. *Illinois Brick*, 431 U.S. at 734-35. The *Illinois Brick* bar on indirect purchaser claims was intended to ensure that the antitrust laws can be administered with "simplicity and certainty." *See Kansas v. Utilicorp United, Inc.*, 497 U.S. 199, 207 (1990).

The Supreme Court has rejected attempts to create exceptions to *Illinois Brick* that would require a complex, fact-based analysis. *Id.* at 208-210 ("Although the rationales of *Hanover Shoe* and *Illinois Brick* may not apply with equal force in all instances, we find it inconsistent with precedent and imprudent in any event" to create such an exception.). Costco appears to claim that alleged damages arising out of indirect purchases fall within the narrow *Royal Printing* exception to *Illinois Brick*'s prohibition on such claims.[8] *See Royal Printing*, 621 F.2d at 326. Yet, as discussed in greater detail below, the *Royal Printing* exception is not applicable to Costco's purchases from the Indirect Suppliers because (i) *Royal Printing* provides only a limited exception to *Illinois Brick* and Costco has no admissible evidence that any of the Indirect Suppliers fall within the exception, and (ii) the majority of the Indirect Suppliers are presently asserting identical claims in the Direct Purchaser Plaintiff Class. Because *Royal Printing* does not permit Costco to assert damages from its purchases from Indirect Suppliers, the claim for those damages must be dismissed.

1. ***Royal Printing* Creates Only a Narrow Exception to *Illinois Brick*, Which Does Not Apply Here**

Contrary to Costco's implicit suggestion, *Royal Printing* creates only a narrow exception

[8] Courts have recognized two other circumstances in which an indirect purchaser may sue for antitrust damages, despite the rule set forth in *Illinois Brick*: (i) where the direct purchaser has entered into a "cost-plus" pricing contract with the indirect purchaser before the direct purchaser pays the allegedly inflated fixed price to the antitrust conspirators; and (ii) where the direct purchaser has conspired with the producer to fix the price that the indirect purchaser pays. *See In re ATM Fee Antitrust Litig.*, Case No. C 04-02676 CRB, 2010 WL 3701912 at *5-6 (N.D. Cal. Sept. 16, 2010). Neither of these exceptions could be applicable because Costco has not alleged (and there is no evidence) that the Indirect Suppliers had cost-plus agreements with any defendant or alleged co-conspirators, and Costco has never alleged (and there is no evidence) that any of the Indirect Suppliers were part of the alleged conspiracy.

to *Illinois Brick*'s bar on indirect purchaser claims. In *Royal Printing*, the plaintiffs sought to assert price-fixing claims as to purchases made from a number of wholesale entities, some of which were wholly-owned subsidiaries of the alleged conspirators and others that were independent sellers. 621 F.2d at 324. Relying on *Illinois Brick*, the district court granted summary judgment to the defendants on the grounds that all of plaintiffs' claims were based on "indirect" purchases. The Ninth Circuit reversed, in part, only as to the plaintiffs' purchases from the wholly-owned subsidiaries: "Because Royal Printing's suit would involve neither [the danger of multiple liability] nor that complexity, we hold that *Illinois Brick* does not bar an indirect purchaser's suit where the direct purchaser is a division or subsidiary of a co-conspirator." *Id.* at 326. However, where "purchases were made through independents not affiliated with any manufacturer . . . [plaintiffs] are truly indirect purchasers from [defendants] and are barred by *Illinois Brick* . . . ." *Id.* at 324, 328. Thus, by its very terms, *Royal Printing* confirms that summary judgment is appropriate here. Costco asserts claims based on purchases made by independent suppliers "not affiliated with any manufacturer," which are "truly indirect purchasers," and therefore "barred."

With its claims barred by *Illinois Brick*, Costco may try to rely on *Freeman v. San Diego Ass'n of Realtors*, 332 F.3d 1133, 1145-46 (9th Cir. 2003). Costco would be wrong if it tried. In *Freeman*, the plaintiffs were real estate agents that purchased "multiple listing services" from an entity (Sandicor) formed by eleven separate real estate associations. 322 F.3d at 1140-42. The plaintiffs alleged that the eleven associations illegally agreed to fix the fees they received from Sandicor, which resulted in Sandicor overcharging plaintiffs and others. *Id.* at 1142. The *Freeman* defendants argued that the plaintiffs lacked standing to sue the eleven associations under *Illinois Brick* because they were indirect purchasers (they purchased multiple listing services from Sandicor, not the associations). The *Freeman* court, citing *Royal Printing*, stated that "indirect purchasers can sue for damages if there is no realistic possibility that the direct purchaser will sue its supplier over the antitrust violation." *Id.* at 1146. The *Freeman* court went on to conclude that no such possibility existed in that case because the eleven real estate associations (i) owned

Sandicor, (ii) appointed Sandicor's board of directors, and (iii) were accused of conspiring with Sandicor. *Id.* (noting that granting immunity where defendants "nominally sell" through another entity would open a major loophole in Section 1). The *Freeman* court's analysis confirms that it was applying the *Royal Printing* exception—that where the direct purchaser is owned and controlled by a co-conspirator *Illinois Brick* will not bar the claim. Although the *Freeman* court included the "no realistic possibility" of suit language, the Ninth Circuit's decision in *Freeman* did not alter the scope or evidentiary requirements of the *Royal Printing* exception. *See* Philip E. Areeda and Herbert Hovenkamp, ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION Vol. II.A ¶ 346, p. 170 (3d ed. 2006) (noting that what the *Freeman* court was "really describing was a 'control' or perhaps a 'co-conspirator' exception").

Confirming the point, this Court has already held that the *Royal Printing* exception and the holding in *Freeman* are concerned with the "relationship between the *conspirator* and the direct purchaser." *See* MDL Dkt. No. 4108 at 2 (Order Denying Toshiba Entities' Mot. for Partial Summ. J. Under *Illinois Brick*) (emphasis in original). The critical factual question is the "parent company's control over the litigation decisions of its subsidiaries," not merely whether there is some business relationship between the alleged conspirators and the direct purchaser, as Costco alleges. *Id.* at 2-3. Thus, to rely on *Royal Printing*, Costco must come forward with admissible evidence to establish a degree of ownership/control over the Indirect Suppliers (*i.e.*, the direct purchasers of LCD panels or products) sufficient to direct the actual litigation decisions of the Indirect Suppliers. Costco cannot submit such evidence.

i. There is No Admissible Evidence that Defendants or Alleged Co-Conspirators Control the Indirect Suppliers.

First, there is no evidence of a parent/subsidiary relationship (as in *Royal Printing*) or ownership and control relationship (as in *Freeman*) that suggests the Indirect Suppliers' litigation decisions are being made by the alleged conspirators. Even under its own theory, Costco would need to prove separately that *each* of the ten Indirect Suppliers—Acer, Emachines, Envision, Gateway, JVC, Panasonic, Princeton GS, Proview, Sylvania, and Visio—was owned or at least

controlled by an alleged conspirator. None of the Indirect Suppliers is named in the Costco litigation, and none has ever been deposed by Costco or any other plaintiff. Indeed, despite more than a year having passed since the filing of its complaint, Costco took *no discovery* from any of the Defendants or Indirect Suppliers from which it might have sought to support its *Royal Printing* allegations. Any effort by Costco to speculate as to the Indirect Suppliers' litigation decisions or rely upon hearsay in inadmissible documents cannot create an issue of fact for trial. *See Brilliant*, 2010 WL 2721531, at *2.

ii. On-Going Business Relationships Do Not Bring Indirect Supplier Purchases Within the Exception.

Second, even if Costco had some admissible evidence of certain "business relationships" between the alleged conspirators and the Indirect Suppliers, such evidence alone is insufficient to survive summary judgment. Courts have concluded that the mere existence of a business relationship between a direct purchaser and an alleged conspirator does not satisfy the requirements of *Royal Printing* or establish an exception to *Illinois Brick*. *See Delaware Valley Surgical Supply*, 523 F.3d at 1124 (9th Cir. 2008) ("The Court's firm rule does not provide us the leeway to make a policy determination on a case-by-case basis as to whether standing should be recognized when there are special business arrangements.") (citing *Kansas v. Utilicorp United, Inc.*, 497 U.S. at 207); *In re ATM Fee Antitrust Litig.*, 2010 WL 3701912 at *10 (granting defendants' motion for summary judgment and rejecting plaintiffs' argument that it was unlikely the upstream purchasers would disrupt their access to the alleged conspirators by filing suit against them). Indeed, *Illinois Brick* itself rejected the argument that ongoing business relationships between an alleged conspirator and a direct purchaser are sufficient to provide an exception to the indirect-purchaser prohibition. *See* 431 U.S. at 745-46 ("recogniz[ing] that direct purchasers may sometimes refrain from bringing a treble-damages suit for fear of disrupting relationships with their suppliers," but holding that direct purchasers alone may bring such claims). *Illinois Brick* and *Utilicorp* simply do not allow for such a complex, fact-based analysis

of the various business or contractual relationships between the alleged conspirators and the direct purchasers.

iii. Costco Can Provide No Evidence that the Indirect Suppliers Are Anything But Independent Companies.

Third, there is no evidence that the Indirect Suppliers from which Costco purchased finished LCD Products are anything but independent companies that distributed such products for their own economic benefit. In *Royal Printing*, the Ninth Circuit expressly held that purchases from such independents are "truly indirect" and "barred by *Illinois Brick*." *Royal Printing*, 621 F.2d at 324, 328. Similarly, every court that has evaluated purchases from independent, unaffiliated companies has found that such purchases are indirect purchases under *Illinois Brick*. *See*, *e.g.*, *Kloth v. Microsoft Corp.*, 444 F.3d 312 (4th Cir. 2006) (dismissing under *Illinois Brick* where purchases were made from third-party retailers and were therefore indirect, even though the purchases included end-user licenses that gave the purchasers the rights to certain reimbursements from Microsoft); *In re Brand Name Prescription Drugs Antitrust Litigation*, 123 F.3d 599, 605-06 (7th Cir. 1997) (Posner, C.J.) (holding that pharmacies who made purchases through wholesalers lacked standing under *Illinois Brick* to assert claims against manufacturers).[9]

[9] *See also In re Midwest Milk Monopolization Litig.*, 730 F.2d 528, 531 (8th Cir. 1984) (affirming summary judgment for defendants where plaintiffs made purchases from third party retailers, who were not joined as defendants); *Jewish Hospital Ass'n of Louisville, Kentucky, Inc. v. Stewart Mechanical Enter., Inc.*, 628 F.2d 971, 975 (6th Cir. 1980) ("[T]he control exception is limited to relationships involving such functional economic or other unity between the direct purchaser and either the defendant or the indirect purchaser that there effectively has only been one sale."); *Sun Microsystems Inc. v. Hynix Semiconductor, Inc.*, 608 F. Supp. 2d 1166, (N.D. Cal. 2009) (Sun was an indirect purchaser with regard to the external manufacturer purchases because the external manufacturers, who were independently owned, paid for the DRAM and took title: "This is so, despite the existence of an overarching independent pricing strategy maintained and operated by Sun in connection with purchases of DRAM from defendants. . . . Plaintiff's agency argument that the external manufacturers acted as mere 'purchasing agents' for Sun, does not change this analysis."); *In re Ditropan XL Antitrust Litig.*, 2007 WL 2978329, at *4 (N.D. Cal. Oct. 11, 2007) (dismissing the complaint because the plaintiff made purchases through a third-party intermediary).

iv. The Pendency of Other Direct Action Suits Confirms the Exception Does Not Apply.

Fourth, the undisputed fact of suits brought by Costco and the many other Direct Action Plaintiffs in this multidistrict litigation further refute any contention by Costco that "business relationships" are sufficient to place the Indirect Suppliers within the *Royal Printing* exception to *Illinois Brick*. Costco—like the plaintiffs in *Dell*, *Motorola*, *Best Buy*, *Target* and many other cases—have not hesitated to file suit against certain supplier entities that are alleged to have participated in a price-fixing conspiracy, despite ongoing business relationships with many of those entities. As evidenced by these suits, there is no question that Defendants' customers (including the Indirect Suppliers) may file suit against them. *See In re ATM Fee Antitrust Litig.*, 2010 WL 3701912 at *39-40 ("Even if a subset of [direct purchasers] would choose not sue for some reason," a realistic possibility of suit weighs against application of the [*Royal Printing*] exception so long as not all direct purchasers "would refrain from filing suit."). The mere existence of an ongoing business relationship between Defendants and some or all of the Indirect Suppliers does not establish the *Royal Printing* exception to *Illinois Brick*. *See Kendall v. Visa U.S.A., Inc.*, 518 F.3d 1042, 1050 (9th Cir. 2008) (affirming dismissal; "appellants failed to allege any facts establishing that there is no realistic possibility the Banks will not sue the Consortiums.").

2. *Royal Printing* Cannot Apply Where the Indirect Suppliers are Members of the Direct Purchaser Plaintiff Class

Equally compelling, nearly all of the Indirect Suppliers appear to be members of the Direct Purchaser Plaintiff Class ("DPP Class"). Costco's claims based on purchases from these Indirect Suppliers are barred for this reason as well. Costco cannot step into the shoes of the Indirect Suppliers as a direct purchaser where the Indirect Suppliers are members of the DPP Class. *See Sun Microsystems,* 608 F.Supp.2d 1166. In *Sun Microsystems*, the defendants moved for summary judgment as to the plaintiff's claim arising out of purchases from third-party manufacturers on the grounds that such purchases were indirect and barred by *Illinois Brick*. *Id.* at 1176. The plaintiff argued that the "control" exception in *Royal Printing* excluded such

purchases from the *Illinois Brick* rule. *Id.* at 1180. The *Sun Microsystems* court rejected the plaintiff's argument. The court specifically noted that where the intermediate sellers "retain, and have exercised, their right to sue defendants, this further confirms that market forces have not been superseded in the traditional sense contemplated by the control exception, and that the policy reasons behind the *Illinois Brick* decision remain intact." *Id.* at 1182 (citing fact that two intermediate sellers were members of the direct-purchaser class).

In this multidistrict litigation, the DPP Class includes (i) "[a]ll persons and entities who, between January 1, 1999 and December 31, 2006 directly purchased a TFT-LCD panel from any defendant or any subsidiary thereof, or any affiliate or any named co-conspirator" and (ii) "[a]ll persons and entities who, between January 1, 1999 and December 31, 2006, directly purchased a television, computer monitor or notebook computer containing a TFT-LCD panel, from any defendant or any subsidiary thereof, or any affiliate or any named co-conspirator." MDL Dkt. No. 1641 (Order Granting In Part and Denying In Part Direct Purchaser Plaintiffs' Motion for Class Certification").[10] Implicit in Costco's claim is the fact that the Indirect Suppliers, having purchased and sold "affected" LCD Products to Costco, fall within this class definition. *See* Second Am. Compl. at ¶ 55 ("Costco purchased finished products containing LCD panels . . . from companies that have other important business arrangements with Defendants and co-conspirators and from companies that have since gone out of business."); Bernheim Report at ¶ 12 ("these suppliers . . . sold products affected by the conspiracy to Costco . . . .").

Seven of the ten Indirect Suppliers are not alleged co-conspirators in the Direct Purchaser Plaintiff case and have not opted out of the Class. *See* MDL Dkt. No. 2384 (Amended Direct Purchaser Class Plaintiffs' Notice of Class Member Exclusions). Among the entities that do not appear on the list of co-conspirators or opt-out list are EMachines, Envision Peripherals, JVC,

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[10] The Court subsequently amended this definition to include those persons and entities who purchased TFT-LCD panels and products "in the United States." MDL Dkt. 1883 (granting motion for reconsideration of direct purchaser plaintiff class definition to include the phrase "in the United States"). To the extent the Indirect Suppliers' purchases as to which Costco seeks to assert a claim may have been made exclusively <u>outside</u> of the United States, Costco cannot step into the shoes of such Indirect Suppliers where such claims would otherwise be barred by the Foreign Trade Antitrust Improvements Act, 15 U.S.C. § 6a.

Princeton GS, Proview, Sylvania, and Vizio. As in *Sun Microsystems*, the fact that these Indirect Suppliers allowed their potential claims to be adjudicated in the DPP Class case further confirms that the *Royal Printing* exception is inapplicable. Only two of the Indirect Suppliers—Acer[11] and Gateway—are identified on the DPP Class opt-out list. Costco has no evidence as to whether or when those entities may elect to file their own direct-purchaser claims. The mere fact that Acer and Gateway have not yet done so is insufficient to provide Costco with standing to assert indirect purchaser claims. Costco's claims based on purchases from the Indirect Suppliers should be dismissed for this reason as well.

V. CONCLUSION

In sum, there is no basis for Costco's purchases from the Indirect Suppliers to fall within the *Royal Printing* exception to *Illinois Brick*. Unable to assert indirect-purchaser claims, Costco is simply overreaching in an attempt to recover indirect damages that are barred as a matter of law. Accordingly, and for all the reasons set forth above, Defendants respectfully request that the Court grant this motion as to Costco's claims arising out of its purchases from the Indirect Suppliers and enter a judgment dismissing such claims from this case.

[11] Two Acer entities are listed (Acer Incorporated and Acer America Corporation). *Id.* at Ex. A, p. 1. The Bernheim Report does not state from which, if any, of these particular entities Costco purchased LCD Products during the Relevant Period.

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Dated: June 18, 2011

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CERTIFICATE OF SERVICE BY E-MAIL
(Federal Rules of Civil Procedure Rule 5(b))

I declare that I am employed with the law firm of K&L Gates, LLP, whose address is 925 4th Avenue, Suite 2900, Seattle, Washington 98104-1158. I am not a party to the case, and I am over the age of eighteen years.

I further declare that on June 18, 2012, I served a copy of:

DEFENDANTS' JOINT NOTICE OF MOTION AND MOTION FOR PARTIAL SUMMARY JUDGMENT AS TO PLAINTIFF'S CLAIMS BASED ON INDIRECT PURCHASES

by electronically mailing a true and correct copy to all parties of record through the CM-ECF system in accordance with Federal Rules of Civil Procedure Rule 5(b):

I declare under penalty of perjury that the above is true and correct.

Executed at Seattle, Washington, this 18th day of June, 2011.

Ramona M. Emerson (*Pro Hac Vice*) ______________________

(Signature)

EXHIBIT F

SANYO

ANNUAL REPORT 1998

For the year ended March 31

Incorporated in 1950, SANYO Electric Co., Ltd., manufactures a broad range of electronic products grouped into six categories: video equipment, audio equipment, home appliances, industrial and commercial equipment, information systems and electronic devices, and batteries and other products. The Company's net sales in fiscal 1998, ended March 31, 1998, amounted to ¥1,866.4 billion (US$14,140 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly an international organization, comprising 77 manufacturing companies, 35 sales companies, and 27 other companies based in 27 countries.

A particular focus and strength of Sanyo is the development of environment-friendly technologies, such as those for clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. For example, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries. Sanyo is also aggressively expanding its multimedia business, where its three-dimensional display technologies, which were developed using its own independent technologies, have been highly acclaimed in a wide range of areas.

CONTENTS

FINANCIAL HIGHLIGHTS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

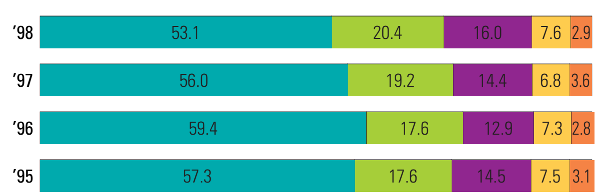
	Millions of Yen				Thousands of U.S. Dollars (Note a)
	1998	1997	1996	1995	**1998**
Net sales	**¥1,866,426**	¥1,793,004	¥ 513,356	¥1,707,100	**$14,139,591**
Net income (loss)	**12,320**	17,674	(3,738)	15,551	**93,333**
Total stockholders' equity	**750,572**	775,805	809,628	803,094	**5,686,152**
Total assets	**2,641,894**	2,518,056	2,462,342	2,411,491	**20,014,348**
	Yen				U.S. Dollars (Note a)
Per share (Note b):					
Net income (loss):					
Basic	**¥6.3**	¥9.1	¥(1.9)	¥8.0	**$0.048**
Diluted	**6.3**	9.0	(1.9)	8.0	**0.048**
Cash dividends declared	**5.0**	5.0	1.7	5.0	**0.038**
Per American Depositary Share (Note c):					
Net income (loss):					
Basic	**¥31.5**	¥45.5	¥(9.5)	¥40.0	**$0.239**
Diluted	**31.5**	45.0	(9.5)	40.0	**0.239**
Cash dividends declared	**25.0**	25.0	8.5	25.0	**0.189**

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 1998.
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)

Video equipment
Audio equipment
Home appliances
Industrial and commercial equipment
Information systems and electronic devices
Batteries and other products

SALES BY AREA (%)



Japan
Asia
North America
Europe
Others

We are pleased to report on the operations of SANYO Electric Co., Ltd., in fiscal 1998, ended March 31, 1998. In the world economy during the year under review, the U.S. economy sustained expansion while the European economies underwent a recovery. On the other hand, the economic situation in Asia deteriorated rapidly due to plunging currency values throughout that region. In Japan, the economic downturn became increasingly pronounced owing to a rise in the national consumption tax rate, sluggish private-sector capital investment, and a slump in consumer spending amid concerns about Japan's financial system and the employment situation. The operating environment was also adversely affected by a reforming of Japan's healthcare insurance system, which places an increased burden on individuals.

Satoshi Iue, Chairman

Difficult conditions also prevailed in the electronics industry, reflecting a slump in market prices for semiconductors, flagging demand for PCs, and lackluster sales of seasonal products.

Business Results

Amid these challenging conditions, Sanyo launched its ACCESS 21 Global Consolidated Management Plan, which aims to position the Sanyo Group for continued growth in the 21st century. Under this plan, Sanyo intends to further promote its key components businesses, including semiconductors and batteries, while striving to develop innovative new products and technologies through concurrent engineering.

During fiscal 1998, Sanyo developed several new digital products that integrate key components. These included digital still cameras that incorporate Sanyo's independently developed low-temperature polysilicone TFT-liquid crystal displays (LCDs) and LCD projectors with high-brightness and high-resolution displays. Also during the year, Sanyo strengthened its product lineup, including its range of solar cell power systems, that responds to needs of environmental protection.

Through these efforts, Sanyo posted a 4.1% increase in consolidated net sales, to ¥1,866.4 billion (US$14,140 million). Domestic sales declined 1.2%, to ¥991.7 billion (US$7,513 million), but overseas sales rose 10.8%, to ¥874.7 billion (US$6,627 million). Operating income rose 1.7%, to ¥62.4 billion (US$472 million). Net income was down 30.3%, to ¥12.3 billion (US$93 million). Cash dividends per share amounted to ¥5.0 (US$0.04) and included a ¥2.5 (US$0.02) interim dividend and a ¥2.5 (US$0.02) year-end dividend.

Capital Investment

During fiscal 1998, Sanyo allocated ¥133.1 billion (US$1,008 million) for capital investment. Sanyo focused its capital investment mainly on increasing and strengthening production facilities for batteries and semiconductors as well as for introducing laborsaving measures at facilities and rationalizing its other production divisions. Furthermore, to build a solid foundation for its future business activities Sanyo allocated funds for R&D facilities in addition to investments in such energy-related facilities as cogeneration systems. Sanyo also commenced construction of a new Head Office building. To provide funds for its capital investment, Sanyo issued ¥50.0 billion in straight bonds in the domestic market on May 20, 1997.

Stock Buyback and Retirement

Under the authorization of the Board of Directors, Sanyo repurchased 25 million shares of its common stock from the market with an aggregate acquisition cost of ¥9.9 billion during the period from April 8 to June 25, 1998. Those shares were recorded as treasury stock and are in the legal process of cancellation pursuant to the resolution of the annual stockholders' meeting held on June 26, 1998.

ACCESS 21 Global Consolidated Management Plan

With the aim of becoming an excellent company in the 21st century, the Company is implementing its ACCESS 21 Global Consolidated Management Plan from fiscal 1998 through fiscal 2001. Under this plan, Sanyo will progress with activities to enhance and reform its operations while ambitiously

entering promising new business fields. Sanyo will also work to develop new technologies, products, and businesses; strengthen and review its global distribution and production structures; fortify its independent business headquarters system; and carry out management that emphasizes environmental protection and customer satisfaction. Along with these measures, Sanyo will emphasize three themes in fiscal 1999. First, with the greater diffusion of information networks, Sanyo will strengthen its key components businesses, including semiconductors, batteries, liquid-crystal products, and optical pickups, primarily those that integrate leading-edge digital technologies. Sanyo will also combine these products with software to create various multimedia products. Second, based on its recently launched ACTION E21 Environmental Action Plan, Sanyo will develop such products as solar cell power systems, fuel cells, and raw refuse treatment systems that contribute to environmental protection; products that enhance energy and resource conservation; such technologies as new refrigerants; and household recycling systems. Third, the Company will develop such distinctive products as electromagnetic cooking devices, washing machines with braille-labeled switches for the sight-impaired, height-adjustable washbasins, and system kitchens with height-adjustable sinks as well as various services that address the needs of the growing number of elderly in Japan, who account for an increasingly larger proportion of the country's population.

ACTION E21 Environmental Action Plan

Environmental protection is one of the top priorities of the Sanyo Group, and a principal theme of Sanyo's ACCESS 21. Sanyo's environmental protection activities are guided by ACTION E21, formulated in January 1998. Since forming the Public Prevention Division in 1970 to find ways of preventing environmental pollution, the Sanyo Group has taken the lead in finding solutions to combat environmental pollution while promoting its clean-energy business, which was founded on the concept of fostering a harmonious coexistence with the environment.

As part of its structure for further progressing with environmental protection activities, the Sanyo Group established the Environmental Council in February 1998, with the president of Sanyo serving as chairman. Also, Sanyo carefully monitors the activities of each product group while all Sanyo manufacturing bases implement environmental protection activities. Also, as part of ongoing efforts to respond more promptly and flexibly to environmental issues, Sanyo has established three committees and two subcommittees, which operate under the auspices of the Environmental Council. In addition, Sanyo set up the Environment and Safety Technology Center for carrying out product assessments to assure that its products are compatible with environmental protection and to provide support for the establishment of an environmental management system. Also, to contribute to the establishment of a recycling-oriented society, Sanyo is progressing with a project for the recycling of used electric appliances.

Taking a global perspective, Sanyo annually convenes its Overseas Regional Environmental Council in each of four geographic regions: Europe, North America, Southeast Asia, and China. Also, to respond more quickly to various environmental protection-related issues, Sanyo is aiming for the rapid establishment of a regional environmental information network. Moreover, Sanyo considers matters related to market needs and environmental laws and regulations in each region. In addition, Sanyo works with various Group companies worldwide to carry out environmental protection activities, taking into consideration the special characteristics of each geographic region.

Sadao Kondo, President

Profile

Born: January 18, 1938

Graduated from Niigata University, in Japan, and immediately entered Sanyo. Since joining Sanyo, Mr. Kondo has continued to be involved with semiconductors and has played a key role in the development of multimedia products.

In another environment-related area, Sanyo is striving to obtain ISO 14001 certification or establish systems based on similar guidelines for certification at each of its manufacturing bases. At the end of March 1998, Sanyo had obtained ISO 14001 certification at 76 production bases, including those of affiliated companies. In April 1998, Sanyo and its subsidiaries began working toward the establishment of environmental management systems at affiliated companies, R&D and service divisions, and sales bases while establishing guidelines that will enable these divisions and bases to obtain ISO 14001 certification by the end of March 2001.

Global Activities

Sanyo continued to expand and strengthen its overseas operations during fiscal 1998. To this end, Sanyo established six new manufacturing and service bases, including one in Vietnam and five in China.

Southeast Asia, which has become one of the world's principal economic centers, has been severely affected by the region's currency crises, and the current economic situation there shows no signs of improving. Sanyo is restructuring its operations in Southeast Asia, particularly in those countries most severely affected by the currency crises and economic instability. It should be noted, however, that this restructuring has been an ongoing activity from before the current crises and is being carried out to better respond to developments in the ASEAN Free Trade Area.

Management Change

At the Board of Directors' Meeting on June 26, 1998, I, Sadao Kondo, an executive managing director, was appointed the new president of Sanyo, while Yasuaki Takano, Sanyo president since December 1992, became vice chairman. I will play a leading role in Sanyo's efforts to develop new products that respond to the needs of the multimedia age.

Outlook

Looking at the world economy, the U.S. and European economies are expected to sustain stable growth. However, the Asian economies, which had served as a locomotive of global expansion, show no signs of emerging from their currency and economic crises, and a recovery in the short term is not expected.

In Japan, despite the implementation of large-scale economic stimulus measures, the Japanese economy is likely to remain sluggish due to such factors as further declining consumer spending and private-sector capital investment.

Under these conditions, Japan's electronics industry is experiencing mounting competition as companies vie to develop new technologies, cultivate new markets, and prune costs. In addition, manufacturers are being pressed to respond to the growing worldwide demand for measures to respond to various environmental issues following the Third Conference of Parties to the U.N. Framework Convention on Climate Change (COP3) at the end of 1997.

Against this backdrop, Sanyo will implement ACCESS 21, which will guide the Group's efforts to meet the needs of society in the 21st century. Carrying out the activities outlined in the plan, Sanyo will strive to ensure customer satisfaction and further improve its business results while progressing with the expansion of its global business structure.

In closing, we ask our stockholders for their continued support.

July 1998

Satoshi Iue,
Chairman

Sadao Kondo,
President

Sanyo conducts its business operations based on two principal business concepts: "creating more comfortable living environments" and "enriching people's lives." Sanyo is contributing to the creation of more comfortable living environments primarily through its clean-energy business, while its efforts to enrich people's lives are focused on multimedia products. As mentioned in the To Our Stockholders section, clean energy and multimedia also represent crucial areas of the Sanyo Group's operations under the ACCESS 21 Global Consolidated Management Plan.

SANYO—SUPPORTING THE DEVELOPMENT OF CLEAN ENERGY AND MULTIMEDIA

Sanyo was one of the first companies in Japan to establish a structure for carrying out the clean-energy business, which is presently centered on solar cells. As protecting the natural environment becomes an increasingly crucial issue, Sanyo believes that its clean-energy business will play a vital role in addressing many of today's most serious global environmental issues.

In multimedia, Sanyo has combined its leading-edge digital technologies with its technologies for creating compact products to secure large market shares for various components and finished products, including its highly acclaimed digital still cameras.

SANYO and DIGITAL IMAGES

DIGITAL STILL CAMERAS

DIGITAL STILL CAMERAS

The trend toward digitization and more compact sizes in computers and telecommunications equipment is proceeding rapidly. Paralleling this trend has been the development of digital still cameras, which integrate CCD optosensors as a substitute for film to convert images into digital data for storage in a flash memory chip. This digital data can be input into a computer for a diverse range of uses. In 1995, Sanyo developed and introduced its first digital still camera. In March 1997, Sanyo introduced the DSC-V1, its own-brand digital still camera that incorporates the Company's independently developed image processing technologies that produce high-quality images. This camera has been highly acclaimed in markets for its ease of use and for incorporating a bright, easy-to-view low-temperature polysilicone (Poly-Si) ultrathin-film fabrication liquid crystal display (TFT-LCD). In June 1998, Sanyo launched a new type of digital still camera, which integrates the newly developed Super One Chip LSI for easier operation and features a moving image clip and high-speed continuous photo functions. Sanyo has an approximately 30% share of the total production of digital still cameras, including brands produced for other companies in the industry.

Sanyo also became the world's first company to incorporate a two-inch low-temperature Poly-Si TFT-LCD, which was developed independently by Sanyo into a digital still camera for allowing instantaneous viewing of images. In 1996, Sanyo became the first company to mass-produce low-temperature Poly-Si TFT-LCDs. TFT-LCDs offer several advantages, including the attainment of higher resolution and lower costs. TFT-LCDs are expected to become the principal type of technology to be used in the future.

LCD PROJECTORS

LCD PROJECTORS

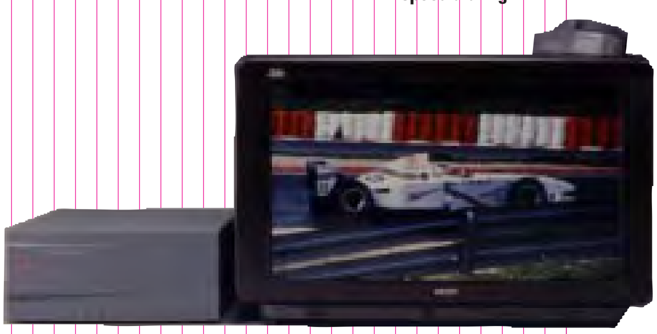
LCD projectors that enable images to be projected onto large computer screens debuted in 1989. Subsequently, demand for LCD projectors for use as presentation tools for conferences and other applications has jumped sharply together with the rapidly growing use of notebook computers. Sanyo entered the field for LCD projectors in 1990 and introduced its first projector for PCs in 1993. In this field, Sanyo independently developed various lenses and prisms for the development of high-quality, highly bright displays. Sanyo boasts an approximately 15% share of the world market for its high-resolution XGA-type LCD projectors, ranking the Company first among Japanese companies and second in the world in terms of market share.

◀ **Sanyo's upgraded 86g cellular telephones allow users to talk up to approximately 110 minutes, remain on standby for receiving incoming calls for 140 hours, and are capable of making 500 calls using speed dialing.**

DIGITAL THREE-DIMENSIONAL BROADCASTING SYSTEM

DIGITAL THREE-DIMENSIONAL BROADCASTING SYSTEM

In March 1997, Sanyo and Nippon Television Network Corporation developed the world's first digital three-dimensional broadcasting and receiving system that conforms with global digital broadcasting standards. This system utilizes a progressive digital format for high-grade, multichannel broadcasting and is compatible with various computers and ideal for use in multimedia. Because of these features, the system is attracting attention as a next-generation broadcasting system.



SANYO'S ACTIVITIES in CLEAN ENERGY

The solar cell power system at Kyoto Station was built by Central Japan Railway Company and the New Energy Development Organization.

Sanyo's solar cell power system installed at a private home

Sanyo's solar cell power system installed at a shopping arcade in Kyoto

SOLAR CELL POWER SYSTEMS

SOLAR CELL POWER SYSTEMS

Sanyo commenced research on amorphous-silicon (a-Si) solar cells in 1975 and successfully commercialized the world's first solar cells in 1980. In November 1997, Sanyo continued to build on its numerous achievements in this field when it developed and launched a household-use hybrid hetero-junction with intrinsic thin-layer (HIT) 180W solar cell module—the largest-class module in the world. Hybrid solar cells feature layers of a-Si on single-crystal silicon substrates and have cell conversion efficiencies of 17.3% and module conversion efficiencies of 15.2%, one of the highest such conversion efficiencies in the world.

In 1994, with the aim of promoting the increased use of solar cells, Japan's Ministry of International Trade and Industry (MITI) introduced a program for providing subsidies to individuals that cover approximately half the cost of installing solar cell arrays at their homes. In fiscal 1999, MITI plans to provide ¥11.1 billion in subsidies for 9,400 such solar cell arrays.

Sanyo's solar cell power systems are currently being used in a wide range of applications. Particularly noteworthy is a Sanyo 100kW solar cell power system installed on a Shinkansen bullet train platform at Kyoto Station, near the site of the Third Conference of Parties to the U.N. Framework Convention on Climate Change that was held in December 1997. The largest of its type in the world, this solar cell power system provides electricity for lighting inside the station and on train platforms as well as for the operation of the station's air conditioners. The use of this solar cell power system also yields other benefits, chief among these is an approximately 62-ton reduction in CO_2 emissions annually.

ABSORPTION-TYPE CHILLER/HEATERS AND GAS-ENGINE HEAT PUMP (GHP)-TYPE AIR CONDITIONERS

Because absorption-type chiller/heaters and GHP-type air conditioners use waste heat as an energy source, they consume almost no electricity and are highly energy efficient and environment friendly. Sanyo manufactures a diverse array of absorption-type chiller/heaters, ranging from those in the 20-refrigerator-ton (RT) category to those in the 3,300-RT

ABSORPTION-TYPE CHILLER/HEATERS AND GAS-ENGINE HEAT PUMP (GHP)-TYPE AIR CONDITIONERS

Absorption-type chiller/heaters

Compact gas refueling equipment

W-ecomulti air conditioners

category. Sanyo's absorption-type chiller/heaters and GHP-type air conditioners each account for one-third of the total capacity in the domestic market.

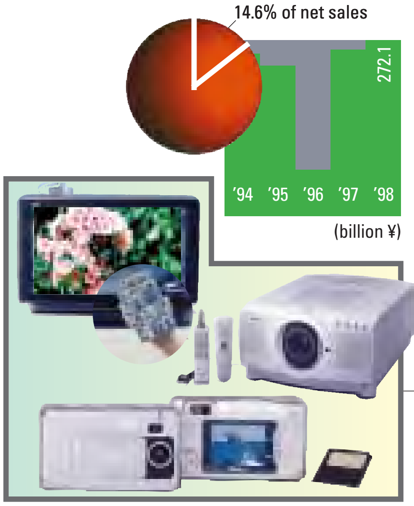
Sanyo entered the field of absorption-type chiller/heaters in 1971. Although Sanyo was a latecomer to this field, by proposing the use of gas for cooling—which represented a revolutionary new method—while working closely with leading gas companies, Sanyo was able to secure the top share of the domestic market for absorption-type chiller/heaters in just three years. Sanyo's absorption-type chiller/heaters have found a diverse range of applications, including for district heating-and-cooling systems, which make optimal use of gas, electricity, and other forms of energy. As a recent example of such applications, Sanyo's absorption-type chiller/heaters are being used for a district heating-and-cooling system in the 55,000-seat Osaka Dome baseball stadium as well as nearby subway stations and commercial facilities. Overseas, Sanyo's absorption-type chiller/heaters are used in district heating-and-cooling systems in Sweden.

Sanyo is in the forefront of the development of refueling equipment for low NO_X emitting natural gas powered vehicles. At present, approximately 2,000 natural gas powered vehicles are in operation in Japan. Sanyo became the first Japanese electronics manufacturer to enter the market for refueling equipment. We are actively applying our advanced compressor technologies with the aim of commercializing refueling equipment and meeting growing demand for natural gas powered vehicles, which emit lower amounts of NO_X and are more fuel efficient than gasoline-powered vehicles. Through these efforts, Sanyo helps alleviate atmospheric pollution.

Sanyo inaugurated the production of GHP-type air conditioners in 1984. Collaborating closely with a prominent gas company, Sanyo developed the multitype GHP-type air conditioner for buildings. During a 12-year period from 1985, Sanyo manufactured GHP-type air conditioners with an aggregate capacity of 500,000 RTs. In March 1998, Sanyo reached a noteworthy milestone when it became the first company in the industry to surpass the four-million-unit level for cumulative production of absorption-type chiller/heaters and GHP-type air conditioners.

In 1996, Sanyo changed its fiscal year-end from November 30 to March 31; therefore, fiscal 1996 was only a four-month period.

VIDEO EQUIPMENT



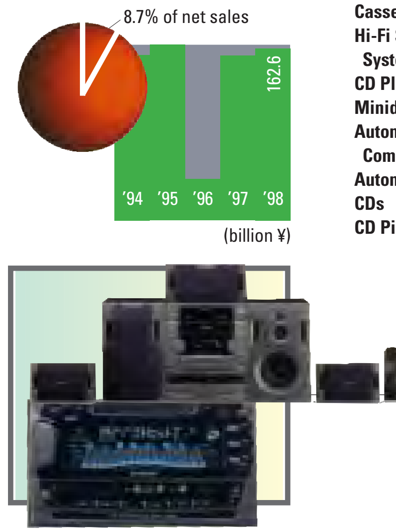
Color TVs
VCRs
8mm Video Camcorders
Video Cameras
Digital Still Cameras
LCD Projectors
Monitor TVs
Laser Videodisc Players
High-Definition TV Systems
Three-Dimensional Display Systems

During the fiscal year, sales of video equipment rose 5.7%, to ¥272,073 million (US$2,061 million), constituting 14.6% of Sanyo's consolidated net sales. Despite intensifying price competition in color TVs and videocassette recorders (VCRs), sharp growth in sales of digital still cameras underpinned the increase in sales.

In Japan, Sanyo recorded a steep increase in sales of digital still cameras—which command a large share of the domestic market—as well as higher sales of LCD projectors. On the other hand, sales of color TVs and VCRs fell sharply, reflecting the effects of sluggish consumption. As a result, domestic sales of video equipment made up 8.2% of Sanyo's total domestic sales.

Overseas, Sanyo posted steady increases in sales of color TVs, VCRs, and digital still cameras as well as a sharp rise in sales of LCD projectors. By geographic region, sales of color TVs surged in North America and expanded smoothly in Europe. However, sales of color TVs in Asia were sluggish. Sales of VCRs jumped in North America and Asia but were lower in Europe. For the fiscal year, overseas sales of video equipment made up 21.8% of Sanyo's total overseas sales.

AUDIO EQUIPMENT



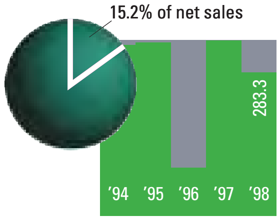
Cassette Recorders
Hi-Fi Stereo Component Systems
CD Players
Minidisc Players
Automotive Stereo Components
Automotive CD Players
CDs
CD Pickups

Sales of audio equipment increased 4.4%, to ¥162,626 million (US$1,232 million), accounting for 8.7% of consolidated net sales, approximately the same as in the previous fiscal year. Although sales of most types of home audio equipment were generally lower, a large gain in sales of CD pickups—one of Sanyo's key components—supported the rise in total sales of audio equipment.

In Japan, overall sales of audio equipment were lower, with the exception of sales of CD pickups. Domestic sales of audio equipment accounted for 3.1% of total domestic sales.

Overseas, sales of cassette recorders and hi-fi stereo component systems plummeted, but sales of automotive stereo components registered noticeable growth. By geographic region, although sales of cassette recorders increased in Europe, sales in North America were lower, and sales in Asia fell sharply. Sales of CD pickups in China—where Sanyo manufactures these components—posted a steep increase. Consequently, overseas sales of audio equipment made up 15.1% of Sanyo's total overseas sales.

HOME APPLIANCES



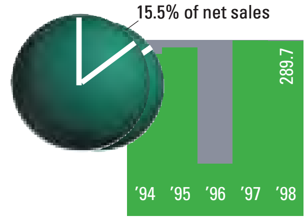
Refrigerators
Freezers
Clothes Dryers
Washing Machines
Microwave Ovens
Air Conditioners
Vacuum Cleaners
Electric Fans
Shavers, Hair Dryers, and Other Personal Grooming Products
Toasters, Rice Cookers, Water Purifiers and Processors, and Other Household Kitchen Appliances
System Kitchens
Lighting Systems and Household Lighting-Related Equipment
Electric, Gas, and Kerosene Heating Equipment
Gas and Kerosene Water Heaters
Dehumidifiers
Cold-Air Blowers
Home-Use Pumps
Motor-Assisted Bicycles
Electronic and Electric Products for Bicycles

Sales of home appliances declined 18.2%, to ¥283,344 million (US$2,147 million), or 15.2% of consolidated net sales. This decline was due to lower sales of air conditioners resulting from unseasonable weather and sluggish domestic consumption, which had an adverse impact on overall performance.

Domestically, unseasonable weather caused sales of our mainstay air conditioners to fall sharply. Sales of such other principal products as refrigerators and washing machines also declined because of lackluster consumption. As a result of these factors, domestic sales of home appliances accounted for 20.3% of total domestic sales.

Overseas, sales of such principal products as air conditioners and refrigerators declined as did sales of microwave ovens. By geographic region, sales of air conditioners in Asia advanced sharply but were lower in North America. Overseas sales of home appliances accounted for 9.4% of total overseas sales.

INDUSTRIAL AND COMMERCIAL EQUIPMENT



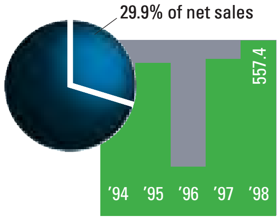
Refrigerator/Freezer/ Chiller Supermarket Showcases
Prefabricated Freezers and Refrigerators
Condensing Units
Package-Type Air Conditioners
Gas-Engine Heat Pump Type Air Conditioners
Absorption-Type Chiller/Heaters
Vending Machines
Beverage Dispensers
Commercial Cleaning Equipment
Commercial-Use Pumps
Medical Sterilizing Equipment
Medical-Use Refrigerators
Incubators
Ultralow-Temperature Freezers
Automatic Tablet-Wrapping Machines
Golf Cart Systems
Automatic Chip Mounters
Emergency Lighting Systems

Sales of industrial and commercial equipment edged down 0.1%, to ¥289,656 million (US$2,194 million), constituting 15.5% of consolidated net sales. Despite robust sales of vending machines, overall declines in other products caused the slight decrease in sales.

In the domestic market, despite firm sales of vending machines for beverages in polyethylene terephthalate (PET) bottles, sales of refrigerator showcases for supermarkets, large commercial-use air conditioners, and commercial-use kitchen equipment were lower due to the adverse effects of curtailments in private-sector capital investment. Therefore, domestic sales of industrial and commercial equipment made up 25.5% of total domestic sales.

Overseas, Sanyo registered growth in sales of absorption-type chiller/heaters, refrigerator showcases for supermarkets, and large commercial-use air conditioners. However, sales of commercial-use kitchen equipment declined. As a result of these factors, overseas sales of industrial and commercial equipment accounted for 4.2% of total overseas sales.

INFORMATION SYSTEMS AND ELECTRONIC DEVICES



(billion ¥)

PCs
Word Processors
Facsimiles
Copiers
Laser Printers
Cordless Telephones
Digital Cellular Phones
PHS Base Stations
Medical Computer Systems
Point-of-Sale Systems
Hotel Computer Systems
Electronic Cash Registers

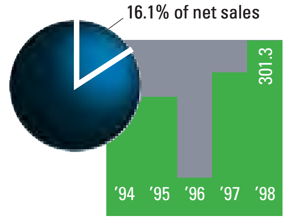
Automobile Navigation Systems
CRT Displays
CD-ROM Systems
MOS-LSIs
BIP-LSIs
Thick-Film ICs
LCDs
LEDs
Transistors
Diodes
Semiconductor Lasers
Image Sensors
OS Condensers
Magnetrons
Electronic Components

Sales of information systems and electronic devices rose 12.0%, to ¥557,408 million (US$4,223 million), making up 29.9% of net sales. Sanyo recorded more than 10% sales growth in most product categories.

In Japan, sales of digital cellular phones rose steeply. Sanyo also posted a large increase in sales of LCDs, including low-temperature Poly-Si TFT-LCDs. In semiconductors, Sanyo recorded a healthy increase in sales of metal oxide semiconductors for large-scale integration (MOS-LSI) and BIP-LSI chips. Domestic sales of information systems and electronic devices thus accounted for 29.5% of total domestic sales.

In overseas markets, Sanyo registered brisk sales of such electronic components as LCDs for digital cellular phones as well as CD-ROM systems. Sales of information devices and semiconductor products were also favorable. By geographic region, sales of information devices in Asia were significantly higher. Sales of semiconductor products were strong in Asia but were marginally lower in North America. Sanyo posted a significant increase in sales of electronic components in Asia. Overseas sales of information systems and electronic devices made up 30.3% of total overseas sales.

BATTERIES AND OTHER PRODUCTS



(billion ¥)

Nickel-Cadmium Rechargeable Batteries
Nickel-Metal Hydride Rechargeable Batteries
Lithium-Ion Rechargeable Batteries
Lithium Batteries
Alkaline-Manganese Batteries
Solar Cells
Solar Cell Power Systems

Compressors for Freezer/Refrigerators and Air Conditioners

Sales of batteries and other products jumped 22.6%, to ¥301,319 million (US$2,283 million), or 16.1% of net sales. Sanyo recorded overall increases in this sector, with sales of batteries showing the most significant rise.

Domestically, sales of lithium-ion rechargeable batteries continued to increase as a result of the growing use of digital cellular phones. Sales of nickel-metal hydride rechargeable batteries for use in power tools were also favorable. On the other hand, sales of compressors for freezer/refrigerators and air conditioners were lower. Domestic sales of batteries and other products thus accounted for 13.4% of total domestic sales.

Overseas sales of batteries and compressors were favorable. In Europe, Sanyo recorded a sharp rise in sales of lithium-ion rechargeable batteries for digital cellular phones. Sales of these batteries in North America and Asia were also firm. Sanyo achieved a smooth rise in sales of compressors in Asia, primarily in China, and a more than twofold increase in sales in North America. Therefore, overseas sales of batteries and other products constituted 19.2% of total overseas sales.

SELECTED FINANCIAL DATA

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and years ended November 30, 1995 and 1994

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	1998	1997	1996	1995	1994	**1998**
For the year or period:						
Net sales	**¥1,866,426**	¥1,793,004	¥ 513,356	¥1,707,100	¥1,660,155	**$14,139,591**
Operating income	**62,352**	61,309	13,501	59,384	40,359	**472,364**
Income before income taxes and equity in (losses) earnings	**38,267**	41,486	3,485	41,193	28,266	**289,902**
Net income (loss)	**12,320**	17,674	(3,738)	15,551	11,325	**93,333**
Capital expenditures	**133,103**	119,273	34,962	118,191	84,266	**1,008,356**
Depreciation and amortization	**101,091**	99,969	30,118	79,757	80,136	**765,841**
At the year- or period-end:						
Total stockholders' equity	**¥ 750,572**	¥ 775,805	¥ 809,628	¥ 803,094	¥ 718,267	**$ 5,686,152**
Total assets	**2,641,894**	2,518,056	2,462,342	2,411,491	2,190,903	**20,014,348**
Per share:						
(yen and U.S. dollars) (Notes a, b and c):						
Net income (loss)						
Basic	**¥6.3**	¥9.1	¥(1.9)	¥8.0	¥5.8	**$0.048**
Diluted	**6.3**	9.0	(1.9)	8.0	5.8	**0.048**
Cash dividends declared	**5.0**	5.0	1.7	5.0	5.0	**0.038**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes a, b, c and d):						
Net income (loss)						
Basic	**¥31.5**	¥45.5	¥(9.5)	¥40.0	¥29.0	**$0.239**
Diluted	**31.5**	45.0	(9.5)	40.0	29.0	**0.239**
Cash dividends declared	**25.0**	25.0	8.5	25.0	25.0	**0.189**
Weighted average number of shares outstanding (thousands) (Note b)	**1,951,099**	1,951,062	1,950,926	1,950,286	1,944,115	
Sales by product category:						
Video equipment	**¥ 272,073**	¥ 257,326	¥ 71,804	¥ 232,456	¥ 251,164	**$ 2,061,159**
Audio equipment	**162,626**	155,791	39,183	166,237	156,250	**1,232,015**
Home appliances	**283,344**	346,380	95,212	342,292	336,944	**2,146,545**
Industrial and commercial equipment	**289,656**	289,997	86,085	277,725	267,656	**2,194,364**
Information systems and electronic devices	**557,408**	497,780	155,260	484,635	452,879	**4,222,788**
Batteries and other products	**301,319**	245,730	65,812	203,755	195,262	**2,282,720**
Net sales	**¥1,866,426**	¥1,793,004	¥ 513,356	¥1,707,100	¥1,660,155	**$14,139,591**
Sales by area:						
Japan	**¥ 991,726**	¥1,003,665	¥ 305,069	¥ 977,985	¥ 938,903	**$ 7,513,076**
Asia	**379,638**	344,301	90,356	299,566	268,840	**2,876,045**
North America	**298,305**	258,334	66,175	247,961	257,489	**2,259,886**
Europe	**142,731**	122,644	37,338	128,326	132,445	**1,081,296**
Others	**54,026**	64,060	14,418	53,262	62,478	**409,288**
Net sales	**¥1,866,426**	¥1,793,004	¥ 513,356	¥1,707,100	¥1,660,155	**$14,139,591**
Other information:						
Price range of common stock (Tokyo Stock Exchange; yen and U.S. dollars (Note a)):						
High	**¥535**	¥680	¥672	¥587	¥609	**$4.053**
Low	**290**	404	536	395	368	**2.197**
Number of employees (at the year- or period-end)	**67,887**	67,827	56,612	57,120	58,417	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥132=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 1998. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Note 1 of Notes to Consolidated Financial Statements.
(c) Earnings per share and per American Depositary Share for fiscal 1996 and 1994 have been calculated without the inclusion of convertible bonds since they are anti-dilutive.
(d) One American Depositary Share represents five shares of common stock.

In this financial review, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries unless otherwise specified.

Overview

•In the fiscal year ended March 31, 1998, the slump in the Japanese economy deepened due to lackluster consumer spending resulting from the April 1997 increase in the national consumption tax rate from 3% to 5%; a reforming of Japan's healthcare insurance system, which places a higher burden on individuals; and concerns about the financial system and employment conditions. The situation was further aggravated by sluggishness in private-sector capital investment.

•Difficult conditions also persisted in the electronics-related industry owing to slumping market prices for semiconductors, weak demand for personal computers, and sluggish sales of seasonal products.

•Under these conditions, Sanyo further promoted its key components businesses, including semiconductors and batteries, and worked to develop innovative new products and technologies through concurrent engineering. Through these efforts, despite lower sales of home appliances and several products in industrial and commercial equipment, Sanyo recorded overall growth in other product categories. These increases, along with the depreciation of the yen, enabled Sanyo to record a 4.2%, or ¥78.4 billion, increase in consolidated net sales and operating revenue, to ¥1,924.7 billion (US$14,581 million). However, net income declined 30.3%, or ¥5.4 billion, to ¥12.3 billion (US$93 million). This decrease reflected a rise in corporate income taxes, due to a revaluation of deferred tax assets that accompanied a revision to the corporate income tax law, and the effects of sharp declines in the value of Asian currencies on equity in earnings of affiliates and unconsolidated subsidiaries.

•From the perspective of maintaining stable dividends, the Company paid cash dividends, including interim dividends, of ¥5.0 (US$0.04) per share and ¥25.0 (US$0.189) per one American Depositary Share (ADS).

Net Sales and Operating Revenue

During the period under review, net sales amounted to ¥1,866.4 billion (US$14,140 million), an increase of 4.1%, or ¥73.4 billion, from the previous fiscal period. By product category, video equipment sales rose 5.7%, or ¥14.7 billion, to ¥272.1 billion (US$2,061 million), reflecting steady growth in sales of digital still cameras and LCD projectors. Sales of audio equipment advanced 4.4%, or ¥6.8 billion, to ¥162.6 billion (US$1,232 million), thanks to robust sales of CD pickups. On the other hand, sales of home appliances fell 18.2%, or ¥63.0 billion, to ¥283.3 billion (US$2,147 million), due to a decline in sales of such seasonal products as air conditioners and heaters that resulted from unseasonable weather and overall price declines. Sales of industrial and commercial equipment, at ¥289.7 billion (US$2,194 million), remained virtually unchanged from the previous fiscal year, mirroring sluggishness in sales of large commercial-use air conditioners and refrigerator showcases for supermarkets. Information systems and electronic devices sales advanced 12.0%, or ¥59.6 billion, to ¥557.4 billion (US$4,223 million), reflecting favorable sales of digital cellular phones, semiconductors, and electronic components. Batteries and other products sales jumped 22.6%, or ¥55.6 billion, to ¥301.3 billion (US$2,283 million), thanks to robust overseas sales of rechargeable batteries, primarily lithium-ion rechargeable batteries. Batteries and other products, together with information systems and electronic devices sales, served as the principal sources of Sanyo's growth in sales during fiscal 1998.

•Operating revenue, including revenues from financing, was favorable, rising 9.4%, or ¥5.0 billion, to ¥58.2 billion (US$441 million).

•By geographic segment, despite a decline in sales in the domestic market, total sales and operating revenue generated in Japan rose 4.2%, or ¥69.5 billion, to ¥1,718.0 billion (US$13,015 million), due to higher export sales to North America and Europe. In Asian countries outside Japan, despite an abrupt worsening of economic conditions due to plunging currency values, sales and operating revenue in Asian countries amounted to ¥487.5 billion (US$3,693 million) and were supported by robust demand in North America and Europe. Sales and operating revenue in other regions totaled ¥256.6 billion (US$1,944 million) and included brisk sales in the United States and Europe.

Costs, Expenses, and Earnings

•Cost of sales rose 4.9%, or ¥71.2 billion, to ¥1,510.7 billion (US$11,445 million). The cost of sales ratio rose 0.7 percentage point, to 80.9%, from 80.3% in the preceding fiscal year, as a result of the impact of sales price declines for such seasonal products as air conditioners and heaters.

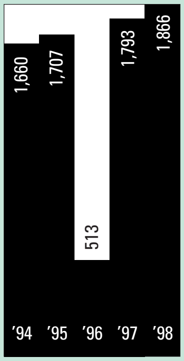
•Thanks to Companywide efforts to reduce expenses, growth in selling, general and administrative (SG&A) expenses was held to 1.8%, or ¥6.2 billion, to ¥351.6 billion (US$2,664 million), which was significantly below the rate of increase for consolidated net sales and operating revenue. SG&A expenses as a percentage of net sales and operating revenue was 18.3%, down 0.4 percentage point from the previous year.

•R&D expenses rose ¥1.1 billion, to ¥94.7 billion (US$717 million). These expenditures were primarily for the development of digital technologies and multimedia products. R&D expenses as a percentage of net sales amounted to 5.1%, approximately the same level as in the previous fiscal year.

•Because of the previously mentioned increase in net sales and operating revenue and a reduction in the burden of expenses, operating income rose 1.7%, or ¥1.0 billion, to ¥62.4 billion (US$472 million).

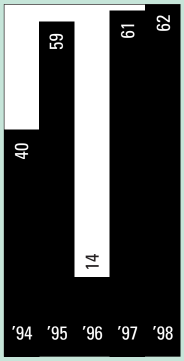
•Other expenses, net, rose ¥4.3 billion, to ¥24.1 billion (US$183 million).

NET SALES



(billion ¥)

OPERATING INCOME



(billion ¥)

Note: Fiscal 1996 was only a four-month period.

•As a result of the preceding factors, income before income taxes and equity in earnings declined 7.8%, or ¥3.2 billion, to ¥38.3 billion (US$290 million). Although income taxes declined ¥0.8 billion, to ¥24.9 billion (US$189 million), the effective income tax rate rose to 65.1%, from 62.1% in the previous fiscal year. This reflects a temporary additional tax burden resulting from a revaluation of deferred tax assets based on U.S. accounting standards that accompanied a revision of the corporate tax law (a reduction in taxes). Equity in earnings of affiliates and unconsolidated subsidiaries amounted to a loss of ¥1.0 billion (US$8 million), which represents a decrease of ¥3.0 billion from the ¥1.9 billion gain in the previous fiscal year. This loss reflected the influence of declines in the values of various Asian currencies on Sanyo companies accounted for by the equity method. As a result of these reasons, net income declined 30.3%, or ¥5.4 billion, to ¥12.3 billion (US$93 million). Basic net income per share declined to ¥6.3 (US$0.048), from ¥9.1 in the previous fiscal year, and diluted net income per share decreased to ¥6.3 (US$0.048), from ¥9.0. Basic net income and diluted net income per one ADS (five shares) both fell to ¥31.5 (US$0.239), from ¥45.5 and ¥45.0, respectively, in the previous fiscal year.

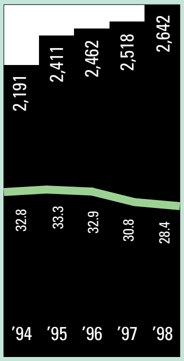
Financial Condition

Total current assets increased ¥43.6 billion, to ¥1,552.1 billion (US$11,758 million). Finance receivables increased ¥40.3 billion, due to growth in Sanyo's credit business, while inventories rose ¥28.0 billion, mainly because of a slump in demand for seasonal products. On the other hand, short-term investments declined ¥28.1 billion due to the sale of such investments and declines in their market value.

•In property, plant and equipment, Sanyo invested a total of ¥133.1 billion (US$1,008 million), primarily for production facilities for semiconductors, batteries, and LCDs, in order to capitalize on the trends toward digitization and the need to enhance efficiency.

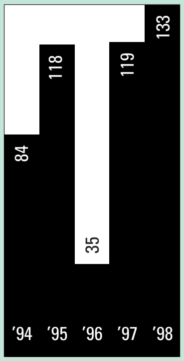
•On the other hand, total liabilities rose 8.4%, or ¥144.9 billion, to ¥1,868.2 billion (US$14,153 million). Total short- and long-term interest-bearing debt expanded ¥116.3 billion, to ¥1,106.8 billion (US$8,385 million). This increase was due mainly to a ¥55.4 billion increase in short-term

TOTAL ASSETS
AND EQUITY RATIO



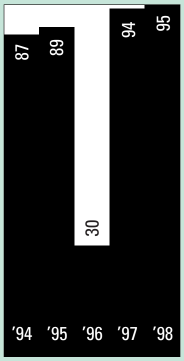
(billion ¥, %)

CAPITAL
EXPENDITURES



(billion ¥)

R&D EXPENSES



(billion ¥)

borrowings to be used for operating funds and two uncollateralized domestic straight bonds issues totaling ¥50.0 billion in May 1997 to be used for capital investment.

•As a result of the preceding factors, working capital declined ¥34.9 billion, to ¥273.5 billion (US$2,072 million). The current ratio edged down to 1.21, from 1.26 at the previous fiscal year-end.

•Total stockholders' equity declined ¥25.2 billion, to ¥750.6 billion (US$5,686 million). The primary factors underlying the decrease in stockholders' equity were a ¥22.5 billion decrease in net unrealized gains on securities accompanying declining prices for marketable securities and ¥7.1 billion of minimum pension liability adjustments. Because of these factors and the increase in total liabilities, the stockholders' equity ratio slipped 2.4 percentage points, to 28.4%, from 30.8% at the previous fiscal year-end.

Cash Flows

Cash and cash equivalents at the end of the fiscal period rose ¥2.0 billion, to ¥341.2 billion (US$2,585 million). This figure is equivalent to 2.1 times average monthly sales and operating revenue of ¥160.4 billion, and Sanyo continues to maintain sufficient liquidity to carry out its business operations.

•Net cash provided by operating activities declined ¥38.7 billion from the previous fiscal year, to ¥25.6 billion (US$194 million). Cash inflows consisting of net income after adding and subtracting inflows of non-cash items, centering on depreciation and amortization, amounted to ¥109.9 billion (US$832 million), slightly higher than in the previous fiscal year. However, outflows of operating assets and liabilities and other assets and liabilities, net, increased ¥39.6 billion, to ¥84.3 billion (US$639 million), due mainly to a rise in sales and financing receivables and an expansion in inventories.

•Net cash used in investing activities declined ¥9.5 billion from the previous fiscal year, to ¥125.1 billion (US$948 million), and consisted mainly of ¥119.3 billion (US$904 million) in payments for purchases of property, plant and equipment and an ¥8.3 billion (US$63 million) increase in short-term investments.

•Net cash provided by financing activities, after the procurement and repayment of short- and long-term interest-bearing debt, increased ¥79.0 billion from the previous fiscal year, to ¥101.6 billion (US$770 million). These funds were utilized to purchase property, plant and equipment and for short-term investment. This reflected ¥50.0 billion procured through the issue of two uncollateralized domestic straight bonds and a ¥51.4 billion net increase in short-term borrowings. On the other hand, the repayment of long-term debt from two Eurobonds amounted to ¥35.0 billion (US$265 million).

Business Segment (Unaudited)

1998

	Net Sales and Operating Revenue						
	External	Intersegment	Total	Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	Billions of Yen						
Consumer Electronics	**¥ 789.2**	**¥ 6.7**	**¥ 795.9**	**¥10.3**	**¥1,032.0**	**¥ 27.5**	**¥ 29.4**
Information/Communication & Industrial/Commercial	**1,135.5**	**24.9**	**1,160.4**	**52.1**	**1,182.3**	**73.2**	**103.7**
Sub-total	**1,924.7**	**31.6**	**1,956.3**	**62.4**	**2,214.3**	**100.7**	**133.1**
Corporate Assets and Eliminations	**—**	**(31.6)**	**(31.6)**	**—**	**427.6**	**0.4**	**—**
Total	**¥1,924.7**	**¥ —**	**¥1,924.7**	**¥62.4**	**¥2,641.9**	**¥101.1**	**¥133.1**
	Millions of U.S. Dollars						
Consumer Electronics	**$ 5,979**	**$ 50**	**$ 6,029**	**$ 78**	**$ 7,818**	**$208**	**$ 223**
Information/Communication & Industrial/Commercial	**8,602**	**189**	**8,791**	**395**	**8,957**	**555**	**785**
Sub-total	**14,581**	**239**	**14,820**	**473**	**16,775**	**763**	**1,008**
Corporate Assets and Eliminations	**—**	**(239)**	**(239)**	**—**	**3,239**	**3**	**—**
Total	**$14,581**	**$ —**	**$14,581**	**$473**	**$20,014**	**$766**	**$1,008**

1997

	Net Sales and Operating Revenue						
	External	Intersegment	Total	Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	Billions of Yen						
Consumer Electronics	¥ 822.7	¥10.9	¥ 833.6	¥18.2	¥ 942.8	¥ 28.1	¥ 28.0
Information/Communication & Industrial/Commercial	1,023.5	27.1	1,050.6	43.1	1,113.7	71.5	91.3
Sub-total	1,846.2	38.0	1,884.2	61.3	2,056.5	99.6	119.3
Corporate Assets and Eliminations	—	(38.0)	(38.0)	—	461.6	0.4	—
Total	¥1,846.2	¥ —	¥1,846.2	¥61.3	¥2,518.1	¥100.0	¥119.3

Geographic Segment (Unaudited)

1998

	Net Sales and Operating Revenue				
	External	Intersegment	Total	Operating Income	Assets
	Billions of Yen				
Japan	**¥1,458.8**	**¥259.2**	**¥1,718.0**	**¥44.7**	**¥1,918.0**
Asia	**223.0**	**264.5**	**487.5**	**14.1**	**177.5**
Other	**242.9**	**13.7**	**256.6**	**3.6**	**148.0**
Sub-total	**1,924.7**	**537.4**	**2,462.1**	**62.4**	**2,243.5**
Corporate Assets and Eliminations	**—**	**(537.4)**	**(537.4)**	**—**	**398.4**
Total	**¥1,924.7**	**¥ —**	**¥1,924.7**	**¥62.4**	**¥2,641.9**
	Millions of U.S. Dollars				
Japan	**$11,052**	**$1,963**	**$13,015**	**$ 339**	**$14,530**
Asia	**1,689**	**2,004**	**3,693**	**107**	**1,345**
Other	**1,840**	**104**	**1,944**	**27**	**1,121**
Sub-total	**14,581**	**4,071**	**18,652**	**473**	**16,996**
Corporate Assets and Eliminations	**—**	**(4,071)**	**(4,071)**	**—**	**3,018**
Total	**$14,581**	**$**	**$14,581**	**$473**	**$20,014**

1997

	Net Sales and Operating Revenue				
	External	Intersegment	Total	Operating Income	Assets
	Billions of Yen				
Japan	¥1,426.9	¥221.6	¥1,648.5	¥53.1	¥1,789.2
Asia	206.5	203.7	410.2	5.6	182.7
Other	212.8	0.8	213.6	2.6	139.9
Sub-total	1,846.2	426.1	2,272.3	61.3	2,111.8
Corporate Assets and Eliminations	—	(426.1)	(426.1)	—	406.3
Total	¥1,846.2	¥ —	¥1,846.2	¥61.3	¥2,518.1

CONSOLIDATED STATEMENTS OF INCOME

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen				Thousands of U.S. Dollars (Note 2)
	1998	1997	1996	1995	**1998**
Sales and operating revenue:					
Net sales (Note 5)	**¥1,866,426**	¥1,793,004	¥513,356	¥1,707,100	**$14,139,591**
Operating revenue	**58,249**	53,225	11,247	35,186	**441,280**
	1,924,675	1,846,229	524,603	1,742,286	**14,580,871**
Costs and expenses (Note 13):					
Cost of sales (Note 5)	**1,510,709**	1,439,504	411,300	1,365,609	**11,444,765**
Selling, general and administrative	**351,614**	345,416	99,802	317,293	**2,663,742**
	1,862,323	1,784,920	511,102	1,682,902	**14,108,507**
Operating income	**62,352**	61,309	13,501	59,384	**472,364**
Other income:					
Interest and dividends	**12,583**	11,999	5,835	20,950	**95,326**
Foreign currency transaction gains, net	**—**	2,011	72	—	**—**
Gain on public stock issuance by subsidiary (Note 14)	**—**	1,248	—	—	**—**
Other (Note 6)	**22,285**	17,124	7,741	23,398	**168,826**
	34,868	32,382	13,648	44,348	**264,152**
Other expenses:					
Interest	**33,001**	31,765	9,821	38,081	**250,008**
Foreign currency transaction losses, net	**5,482**	—	—	3,497	**41,530**
Write-off of bad debts and investments	**—**	—	7,971	—	**—**
Other	**20,470**	20,440	5,872	20,961	**155,076**
	58,953	52,205	23,664	62,539	**446,614**
Income before income taxes and equity in (losses) earnings	**38,267**	41,486	3,485	41,193	**289,902**
Income taxes (Note 12):					
Current	**26,061**	27,694	7,079	25,625	**197,432**
Deferred	**(1,158)**	(1,942)	1,176	3,195	**(8,772)**
	24,903	25,752	8,255	28,820	**188,660**
Income (loss) before equity in (losses) earnings	**13,364**	15,734	(4,770)	12,373	**101,242**
Equity in (losses) earnings of affiliates and unconsolidated subsidiaries (Note 5)	**(1,044)**	1,940	1,032	3,178	**(7,909)**
Net income (loss)	**¥ 12,320**	¥ 17,674	¥ (3,738)	¥ 15,551	**$ 93,333**

	Yen				U.S. Dollars (Note 2)
Per share:					
Net income (loss) (Notes 1 and 15)					
Basic	**¥6.3**	¥9.1	¥(1.9)	¥8.0	**$0.048**
Diluted	**6.3**	9.0	(1.9)	8.0	**0.048**
Cash dividends declared	**5.0**	5.0	1.7	5.0	**0.038**
Per American Depositary Share:					
Net income (loss)					
Basic	**¥31.5**	¥45.5	¥(9.5)	¥40.0	**$0.239**
Diluted	**31.5**	45.0	(9.5)	40.0	**0.239**
Cash dividends declared	**25.0**	25.0	8.5	25.0	**0.189**
Weighted average number of shares (thousands)	**1,951,099**	1,951,062	1,950,926	1,950,286	

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 1998 and 1997

ASSETS	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars (Note 2) 1998
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 56,725**	¥ 59,148	**$ 429,735**
Time deposits	**284,487**	280,071	**2,155,205**
	341,212	339,219	**2,584,940**
Short-term investments (Notes 6 and 10)	**222,180**	250,304	**1,683,182**
Receivables:			
Notes and accounts	**368,655**	367,455	**2,792,841**
Finance receivables (Note 3)	**137,711**	97,448	**1,043,265**
Affiliates and unconsolidated subsidiaries	**37,087**	37,065	**280,962**
Allowance for doubtful accounts and financial charges	**(12,716)**	(9,584)	**(96,333)**
Inventories (Note 4)	**417,067**	389,023	**3,159,598**
Deferred income taxes	**1,210**	—	**9,167**
Prepaid expenses and other	**39,708**	37,549	**300,818**
Total current assets	**1,552,114**	1,508,479	**11,758,440**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**22,408**	24,600	**169,757**
Other (Notes 6 and 10)	**176,994**	178,239	**1,340,864**
	199,402	202,839	**1,510,621**
Property, plant and equipment:			
Buildings	**422,432**	404,165	**3,200,242**
Machinery and equipment	**902,616**	858,128	**6,838,000**
	1,325,048	1,262,293	**10,038,242**
Accumulated depreciation	**(851,998)**	(808,547)	**(6,454,530)**
	473,050	453,746	**3,583,712**
Land	**142,391**	139,601	**1,078,720**
Construction in progress	**38,284**	22,239	**290,030**
	653,725	615,586	**4,952,462**
Deferred income taxes (Note 12)	**32,409**	21,065	**245,522**
Other assets	**204,244**	170,087	**1,547,303**
	¥2,641,894	¥2,518,056	**$20,014,348**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars (Note 2) 1998
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 528,662**	¥ 473,231	**$ 4,005,015**
Current portion of long-term debt (Note 7)	**121,481**	106,759	**920,311**
Notes and accounts payable:			
Trade	**333,901**	317,678	**2,529,553**
Affiliates and unconsolidated subsidiaries	**17,494**	17,815	**132,530**
Construction	**52,193**	38,457	**395,402**
Accrued income taxes	**14,016**	16,346	**106,182**
Deferred income taxes (Note 12)	**—**	20,775	**—**
Employees' savings deposits	**30,866**	30,951	**233,833**
Other, including dividends payable and accrued expenses	**180,042**	178,125	**1,363,955**
Total current liabilities	**1,278,655**	1,200,137	**9,686,781**
Long-term debt (Notes 7 and 10)	**456,636**	410,506	**3,459,363**
Accrued pension and severance costs (Note 8)	**132,899**	112,611	**1,006,810**
Total liabilities	**1,868,190**	1,723,254	**14,152,954**
Minority interests in consolidated subsidiaries	**23,132**	18,997	**175,242**
Commitments and contingent liabilities (Note 9)			
Stockholders' equity:			
Common stock, ¥50 ($0.38) par value:			
Authorized—5,000,000,000 shares			
Issued (Note 11):			
March 31, 1998 and 1997—1,951,131,137 shares	**172,238**	172,238	**1,304,833**
Additional paid-in capital (Note 11)	**368,361**	368,361	**2,790,614**
Legal reserve (Note 11)	**30,876**	29,719	**233,909**
Net unrealized gains on securities (Note 6)	**20,899**	43,371	**158,326**
Retained earnings	**180,487**	179,087	**1,367,326**
Foreign currency translation adjustments	**(15,184)**	(16,946)	**(115,030)**
Minimum pension liability adjustments (Note 8)	**(7,082)**	—	**(53,652)**
	750,595	775,830	**5,686,326**
Less, treasury stock at cost:			
1998—29,213 shares	**(23)**	—	**(174)**
1997—32,379 shares	**—**	(25)	**—**
Total stockholders' equity	**750,572**	775,805	**5,686,152**
	¥2,641,894	¥2,518,056	**$20,014,348**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen						
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Legal Reserve	Net Unrealized Gains on Securities	Retained Earnings	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments
Balance, November 30, 1994 (1,950,271)	¥171,985	¥368,344	¥27,226	¥ —	¥174,818	¥(24,062)	¥ —
Net income					15,551		
Cash dividends					(9,714)		
Appropriation for legal reserve			1,050		(1,050)		
Conversion of convertible debt (685)	201	(35)					
Adjustment to beginning balance for change in accounting principle (Note 6)				80,241			
Change in net unrealized gains (Note 6)				(631)			
Current year's adjustments						(802)	
Balance, November 30, 1995 (1,950,956)	172,186	368,309	28,276	79,610	179,605	(24,864)	—
Net loss					(3,738)		
Cash dividends					(3,323)		
Appropriation for legal reserve			365		(365)		
Conversion of convertible debt (10)	3	3					
Change in net unrealized gains (Note 6)				12,214			
Current year's adjustments						1,376	
Balance, March 31, 1996 (1,950,966)	172,189	368,312	28,641	91,824	172,179	(23,488)	—
Net income					17,674		
Cash dividends					(9,688)		
Appropriation for legal reserve			1,078		(1,078)		
Conversion of convertible debt (165)	49	49					
Change in net unrealized gains (Note 6)				(48,453)			
Current year's adjustments						6,542	
Balance, March 31, 1997 (1,951,131)	**172,238**	**368,361**	**29,719**	**43,371**	**179,087**	**(16,946)**	**—**
Net income					**12,320**		
Cash dividends					**(9,763)**		
Appropriation for legal reserve			**1,157**		**(1,157)**		
Change in net unrealized gains (Note 6)				**(22,472)**			
Current year's adjustments						**1,762**	**(7,082)**
Balance, March 31, 1998 (1,951,131)	**¥172,238**	**¥368,361**	**¥30,876**	**¥20,899**	**¥180,487**	**¥(15,184)**	**¥(7,082)**

	Thousands of U.S. Dollars (Note 2)						
Balance, March 31, 1997	**$1,304,833**	**$2,790,614**	**$225,144**	**$328,568**	**$1,356,720**	**$(128,378)**	**$ —**
Net income					**93,333**		
Cash dividends					**(73,962)**		
Appropriation for legal reserve			**8,765**		**(8,765)**		
Change in net unrealized gains (Note 6)				**(170,242)**			
Current year's adjustments						**13,348**	**(53,652)**
Balance, March 31, 1998	**$1,304,833**	**$2,790,614**	**$233,909**	**$158,326**	**$1,367,326**	**$(115,030)**	**$(53,652)**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen				Thousands of U.S. Dollars (Note 2)
	1998	1997	1996	1995	**1998**
Cash flows from operating activities:					
Net income (loss)	**¥ 12,320**	¥ 17,674	¥ (3,738)	¥ 15,551	**$ 93,333**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	**101,091**	99,969	30,118	79,757	**765,841**
Gain on sales of marketable securities and investment securities	**(5,209)**	(7,408)	(2,374)	(10,602)	**(39,462)**
Loss (gain) on disposal of property, plant and equipment	**1,783**	3,846	(1,070)	(1,955)	**13,508**
Write-off of bad debts and investments	**—**	—	7,971	—	**—**
Deferred income taxes	**(1,158)**	(1,942)	1,176	3,195	**(8,772)**
Gain on public stock issuance by subsidiary	**—**	(1,248)	—	—	**—**
Equity in losses (earnings) of affiliates and unconsolidated subsidiaries	**1,044**	(1,940)	(1,032)	(3,178)	**7,909**
Change in assets and liabilities, net of effects from newly consolidated subsidiaries in 1997:					
(Increase) decrease in receivables	**(38,040)**	(14,005)	17,206	(8,304)	**(288,182)**
Increase in inventories	**(25,966)**	(13,429)	(28,814)	(17,236)	**(196,712)**
Increase in prepaid expenses and other	**(960)**	(2,348)	(147)	(1,078)	**(7,273)**
Increase in other assets	**(45,306)**	(29,737)	(12,465)	(24,576)	**(343,227)**
Increase (decrease) in notes and accounts payable	**13,158**	3,877	(4,850)	7,185	**99,682**
(Decrease) increase in accrued income taxes	**(2,295)**	5,701	(4,416)	(8,564)	**(17,386)**
Increase (decrease) in other current liabilities	**1,802**	1,664	(7,204)	6,670	**13,651**
Other, net	**13,308**	3,563	2,510	13,783	**100,818**
Total adjustments	**13,252**	46,563	(3,391)	35,097	**100,395**
Net cash provided by (used in) operating activities	**25,572**	64,237	(7,129)	50,648	**193,728**
Cash flows from investing activities:					
(Increase) decrease in short-term investments	**(8,286)**	5,598	3,763	2,542	**(62,773)**
Proceeds from sales of investments and collection of advances	**20,142**	22,766	2,443	9,105	**152,591**
Proceeds from sales of property, plant and equipment	**7,185**	7,652	4,609	11,853	**54,432**
Payments for purchases of investments and advances	**(24,311)**	(34,003)	(15,904)	(28,524)	**(184,174)**
Payments for purchases of property, plant and equipment	**(119,340)**	(137,435)	(32,083)	(104,732)	**(904,091)**
Other, net	**(518)**	805	329	(1,175)	**(3,924)**
Net cash used in investing activities	**(125,128)**	(134,617)	(36,843)	(110,931)	**(947,939)**
Cash flows from financing activities:					
Increase (decrease) in short-term borrowings	**51,381**	(14,524)	21,131	3,975	**389,250**
Proceeds from issuance of long-term debt	**180,913**	153,579	49,688	125,407	**1,370,553**
Repayments of long-term debt	**(120,934)**	(108,241)	(33,079)	(77,848)	**(916,167)**
Dividends paid	**(9,756)**	(8,194)	(4,877)	(9,751)	**(73,909)**
Other, net	**2**	3	(0)	16	**15**
Net cash provided by financing activities	**101,606**	22,623	32,863	41,799	**769,742**
Effect of exchange rate changes on cash and cash equivalents	**(57)**	3,840	827	692	**(432)**
Net increase (decrease) in cash and cash equivalents	**1,993**	(43,917)	(10,282)	(17,792)	**15,099**
Cash and cash equivalents of newly consolidated subsidiaries at beginning	**—**	6,803	—	—	**—**
Cash and cash equivalents at beginning	**339,219**	376,333	386,615	404,407	**2,569,841**
Cash and cash equivalents at end	**¥341,212**	¥339,219	¥376,333	¥386,615	**$2,584,940**

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Fiscal Year
Effective December 1, 1995, SANYO Electric Co., Ltd. (the Company) and its major subsidiaries changed fiscal year-ends from November 30 to March 31. Accordingly, fiscal 1996 includes only 4 months of operations whereas the other fiscal periods consist of 12 months.

Nature of Operations
The Company and the Sanyo Group of companies (collectively, the Sanyo Group) are engaged in development, manufacture and sale in various locations around the world. The Sanyo Group's principal lines of business are the "Consumer Electronics" segment including video equipment, audio equipment and home appliances, and the "Information/Communication & Industrial/Commercial" segment including industrial and commercial equipment, information systems and electronic devices and batteries and other products. Fiscal 1998 net sales were comprised of video equipment (14%), audio equipment (9%), home appliances (15%), industrial and commercial equipment (16%), information systems and electronic devices (30%), and batteries and other products (16%). The principal markets are Japan, Asia, North America, Europe and others with sales in each area representing 53%, 20%, 16%, 8% and 3%, respectively, of net sales for March 31, 1998. The Sanyo Group has subsidiaries in each market area, which offer services such as consumer credits, leases, after-sales service, maintenance, logistics and others. Manufacturing facilities are located in more than 20 countries, principally Asian areas such as Japan and China, as well as North America and Europe.

Accounting Principles
The accounting records of the domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect adjustments necessary for a presentation in terms of generally accepted accounting principles as defined in the United States of America. Such adjustments consist primarily of accruing pension and severance costs; translating foreign currencies as discussed below; valuing marketable securities at fair value; deferring bond issue expenses; and effecting deferred tax accounting for temporary differences between financial and tax reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies
The consolidated financial statements include the accounts of the Company and all significant subsidiaries (Sanyo as a consolidated group). All significant intercompany transactions and accounts have been eliminated. Minority interests in net income (loss) of consolidated subsidiaries are included in other expenses.

Investments in 20%-to-50% held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents
All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances
Effective December 1, 1994, Sanyo adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Available-for-sale securities, which were previously carried at the lower of aggregate cost or market, are recorded at fair value, with unrealized gains and losses which are excluded from earnings and reported in a separate component of stockholders' equity on a net-of-tax basis. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies
Receivables and payables denominated in foreign currencies are translated at exchange rates in effect at the respective balance sheet dates, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of the consolidated foreign subsidiaries and foreign affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet dates. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported separately as a component of stockholders' equity.

Inventories
Inventories are stated at the lower of cost or market. Cost for finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation
Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposition, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Installment Sales
Income from installment sales is recognized in full at the time of shipment.

Advertising Costs
Advertising costs are generally expensed as incurred.

Income Taxes

Under the provisions of SFAS No. 109, "Accounting for Income Taxes," deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at fiscal period-end. Deferred tax assets and liabilities are measured by using currently enacted tax rates and the effect on these deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the end of an accounting period and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the end of such accounting period. Sanyo adopted SFAS No. 128, "Earning per Share," for financial statements for the year ended March 31, 1998. SFAS No. 128 establishes standards for computing and presenting income per share and requires the presentation of both basic and diluted income per share. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. All prior years' income per share and per American Depositary Share have been restated to conform with the standards established by SFAS No. 128. Adoption of the standards did not have a material effect on reported income per share. The calculation of basic and diluted income per share is presented in Note 15.

New Accounting Pronouncements

The Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in June 1997 and SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," in February 1998, which are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 131 establishes standards for the way to report information about operating segments in annual financial statements and for related disclosures about products and services, geographic areas, and major customers, and requires enterprises to report selected information about operating segments in interim financial reports issued to stockholders. SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans by standardizing the disclosure requirements for pensions and other postretirement benefits, by requiring additional information on changes in the benefit obligations and fair value of plan assets, and by eliminating certain disclosures that are no longer useful. SFAS No. 130 and No. 132 do not change the measurement or recognition of related items. The Company has not disclosed the segment information required by SFAS No. 14. Accordingly, the Company is not currently considering disclosing the segment information required by SFAS No. 131, which will supersede SFAS No. 14.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for 1998 represent the arithmetical results of translating yen to dollars on a basis of ¥132=US$1, the approximate effective rate of exchange at March 31, 1998.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥132=US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 1998 included installment receivables of ¥28,388 million ($215,061 thousand) from customers, of which ¥15,565 million ($117,917 thousand) matures after one year.

4 INVENTORIES

Inventories at March 31, 1998 and 1997 were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Finished products	**¥233,054**	¥216,743	**$1,765,560**
Work in process	**92,351**	86,750	**699,629**
Raw materials	**91,662**	85,530	**694,409**
	¥417,067	¥389,023	**$3,159,598**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

At March 31, 1998 and 1997	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars 1998
Current assets	**¥ 97,069**	¥110,652	**$ 735,371**
Noncurrent assets	**52,469**	52,782	**397,492**
Total assets	**149,538**	163,434	**1,132,863**
Current liabilities	**91,938**	95,335	**696,500**
Noncurrent liabilities	**33,264**	30,957	**252,000**
Total liabilities	**125,202**	126,292	**948,500**
Net assets	**¥ 24,336**	¥ 37,142	**$ 184,363**
Sanyo's investments in affiliates	**¥ 12,530**	¥ 14,146	**$ 94,924**
Number of affiliated companies at end of fiscal period:			
In Japan	**20**	20	
Outside Japan	**2**	2	

Years ended March 31, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995	Millions of Yen 1998	Millions of Yen 1997	Millions of Yen 1996	Millions of Yen 1995	Thousands of U.S. Dollars 1998
Results of operations:					
Net sales	**¥229,645**	¥246,025	¥82,345	¥237,306	**$1,739,735**
Net (loss) income	**(14,490)**	4,108	1,787	6,268	**(109,773)**
Sanyo's equity in affiliates:					
Net (loss) income	**¥(875)**	¥2,368	¥581	¥2,373	**$(6,629)**
Cash dividends	**85**	1,842	146	1,026	**644**
Transactions with affiliates:					
Sales to	**¥88,572**	¥74,482	¥26,830	¥85,016	**$671,000**
Purchases from	**49,502**	49,740	15,674	48,278	**375,015**

Aggregate carrying amount and market value at March 31, 1998 and 1997 of investments in affiliates (for which a quoted market price is available) are as follows:

	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars 1998
Carrying amount	**¥ 7,730**	¥10,318	**$ 58,561**
Market value	**16,563**	25,207	**125,477**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities at March 31, 1998 and 1997 included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) are summarized as follows:

	Millions of Yen							
	1998				1997			
	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 50,798**	**¥ 44,937**	**¥ 909**	**¥ 6,770**	¥ 52,532	¥ 51,168	¥ 779	¥ 2,143
Equity securities	**178,902**	**222,938**	**57,426**	**13,390**	171,448	259,428	96,060	8,080
	¥229,700	**¥267,875**	**¥58,335**	**¥20,160**	¥223,980	¥310,596	¥96,839	¥10,223

	Thousands of U.S. Dollars			
	1998			
Available-for-sale:				
Debt securities	**$ 384,834**	**$ 340,432**	**$ 6,886**	**$ 51,288**
Equity securities	**1,355,318**	**1,688,924**	**435,046**	**101,440**
	$1,740,152	**$2,029,356**	**$441,932**	**$152,728**

Contractual maturities of investments in debt securities classified as available-for-sale securities at March 31, 1998 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Costs	Fair Value	Costs	Fair Value
Due within one year	¥33,890	¥29,204	$256,742	$221,242
Due after 1 year through 5 years	15,567	13,853	117,932	104,947
Due after 5 years	1,341	1,880	10,159	14,243
	¥50,798	¥44,937	$384,833	$340,432

The proceeds from sales of available-for-sale securities for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 were ¥23,541 million ($178,341 thousand), ¥20,955 million, ¥6,439 million and ¥18,036 million, respectively. The gross realized gains and losses on those sales were ¥6,819 million ($51,659 thousand) and ¥1,847 million ($13,992 thousand), respectively, for the year ended March 31, 1998, ¥6,748 million and ¥2,380 million, respectively, for the year ended March 31, 1997, ¥3,065 million and ¥656 million, respectively, for the four-month period ended March 31, 1996, and ¥10,034 million and ¥3,053 million, respectively, for the year ended November 30, 1995.

For the purpose of computing gains and losses, the cost of those securities was determined by the moving average method.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of the unused lines of credit was approximately ¥727,000 million ($5,507,576 thousand) at March 31, 1998.

Short-term borrowings at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Short-term bank loans with interest ranging from 0.69% to 14.50%	**¥432,102**	¥434,259	**$3,273,500**
Commercial paper with interest ranging from 0.99% to 6.30%	**96,560**	38,972	**731,515**
	¥528,662	¥473,231	**$4,005,015**

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Loans, principally from banks and insurance companies, due 1998 to 2015 with interest rates ranging from 0.69% to 14.50%:			
Collateralized	**¥ 20,311**	¥ 23,994	**$ 153,871**
Uncollateralized	**292,231**	243,156	**2,213,871**
Uncollateralized convertible yen bonds (a):			
1.7% convertible bonds due November 2002	**5,657**	5,657	**42,856**
1.5% convertible bonds due November 1998	**19,559**	19,559	**148,174**
1.6% convertible bonds due November 2004	**49,899**	49,899	**378,022**
Uncollateralized Euroyen notes (a):			
Floating rate notes due August 1997	**—**	15,000	**—**
6.0% notes due September 1997	**—**	20,000	**—**
Floating rate notes due May 1998	**10,000**	10,000	**75,758**
5.1% notes due September 1999	**20,000**	20,000	**151,515**
Uncollateralized bonds (a):			
2.85% bonds due May 2000	**20,000**	20,000	**151,515**
3.05% bonds due May 2001	**10,000**	10,000	**75,758**
2.40% bonds due June 2001	**20,000**	20,000	**151,515**
2.25% bonds due June 2000	**10,000**	10,000	**75,758**
2.325% bonds due September 2001	**10,000**	10,000	**75,758**
2.625% bonds due September 2002	**20,000**	20,000	**151,515**
2.825% bonds due September 2003	**20,000**	20,000	**151,515**
3.10% bonds due May 2007	**20,000**	—	**151,515**
3.35% bonds due May 2009	**30,000**	—	**227,273**
3.1% bonds due September 2001 with detachable warrants (b)	**460**	—	**3,485**
	578,117	517,265	**4,379,674**
Less, amount due within one year	**121,481**	106,759	**920,311**
	¥456,636	¥410,506	**$3,459,363**

(a) The Company may not pledge its property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.
(b) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR for their benefits.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 1998 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2000	¥97,482	$738,500
2001	82,805	627,310
2002	85,084	644,576
2003	61,118	463,015
2004 and thereafter	130,147	985,962
	¥456,636	$3,459,363

Under the terms of the agreements of the convertible debt outstanding at March 31, 1998, redemption and conversion options are as follows:

	Redeemable On or After	Redeemable Price Range	Current Conversion Price per Share (b)
Convertible yen bonds (a):			
1.7% convertible bonds due November 2002	Dec. 1, 1997	104%–100%	¥600.0
1.5% convertible bonds due November 1998	Dec. 1, 1997	100%	¥1,036.0
1.6% convertible bonds due November 2004	Dec. 1, 1997	106%–100%	¥1,036.0

(a) May be repurchased at any time in the open market
(b) Subject to adjustments under certain circumstances

As of March 31, 1998, the number of shares of common stock required to convert all of the convertible debt was 76,473 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their services with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). On April 1, 1995, a part of the severance indemnities payable for employees retired before their designated retirement age was shifted to the pension plan. In accordance with the JWPIL, a portion of the government's social security pension program, under which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover a part of the severance indemnities payable. These pension plans are managed and operated by insurance companies and trust banks, which act as the trustees. The Company's funding policy is to contribute annually the amount that is required by applicable laws and regulations.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan, which is called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service who elect to participate.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	**1998**
Service-cost benefits earned during the period	**¥17,868**	¥14,391	¥4,525	¥12,648	**$135,364**
Interest cost on projected benefit obligation	**15,505**	15,290	4,942	13,668	**117,462**
Actual loss (return) on plan assets	**648**	(9,603)	(2,971)	(4,531)	**4,909**
Net amortization and deferral	**(6,846)**	3,699	553	6,132	**(51,864)**
Net severance and pension costs for the period	**¥27,175**	¥23,777	¥7,049	¥27,917	**$205,871**

The following table sets forth the plans' funded status of the Company and its principal domestic subsidiaries at March 31, 1998 and 1997:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Actuarial present value of benefit obligation:			
Vested	**¥333,957**	¥302,369	**$2,529,977**
Non-vested	**73**	99	**553**
Accumulated benefit obligation	**334,030**	302,468	**2,530,530**
Additional benefits related to projected salary increase	**46,037**	44,905	**348,765**
Projected benefit obligation	**380,067**	347,373	**2,879,295**
Plan assets at fair value	**206,743**	193,343	**1,566,235**
Projected benefit obligation in excess of plan assets	**173,324**	154,030	**1,313,060**
Unrecognized net transition obligation at date of adoption	**(6,312)**	(7,134)	**(47,818)**
Unrecognized prior service cost	**(10,263)**	(11,129)	**(77,750)**
Unrecognized net loss	**(59,659)**	(44,668)	**(451,962)**
Additional minimum liabilities	**30,195**	18,026	**228,750**
Net pension liability recognized in the consolidated balance sheets	**¥127,285**	¥109,125	**$ 964,280**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 are as follows:

	1998	1997	1996	1995
Discount rate	**4.5%**	4.5%	5.5%	5.5%
Long-term rate of salary increase	**3.2%**	3.2%	4.0%	4.0%
Long-term rate of return on fund assets	**4.5%**	4.5%	5.5%	5.5%

9 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense is related to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expense is not significant. Commitments outstanding at March 31, 1998 for purchase of property, plant and equipment approximate ¥17,371 million ($131,598 thousand).

Contingent liabilities at March 31, 1998 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥14,885 million ($112,765 thousand), ¥93,790 million ($710,530 thousand) and ¥45,508 million ($344,758 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

10 FINANCIAL INSTRUMENTS

Sanyo uses derivative financial instruments, which comprise principally foreign exchange forward contracts and interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. Sanyo does not hold or issue financial instruments for trading purposes.

Sanyo has entered into foreign exchange forward contracts, generally maturing within six months, as a hedge against transactions in foreign currencies. The foreign exchange forward contracts are used by Sanyo to minimize exposure and to reduce risk from exchange rate fluctuations in the ordinary course of its worldwide operations. Sanyo had foreign exchange forward contracts to sell ¥36,431 million ($275,992 thousand) and purchase ¥6,379 million ($48,326 thousand) at March 31, 1998 and to sell ¥39,208 million and purchase ¥14,972 million at March 31, 1997 in foreign currencies.

Sanyo has also entered into various interest rate and currency swap agreements with financial institutions, which will mature mainly during 1998 to 2003. These agreements were arranged to hedge against exposure of interest rate and currency fluctuations of certain assets and liabilities on the balance sheet. The amounts of the underlying interest rate swap agreements were ¥290,585 million ($2,201,402 thousand) and ¥162,447 million at March 31, 1998 and 1997, respectively. The amounts of the underlying currency swap agreements were ¥11,983 million ($90,780 thousand) and ¥18,990 million at March 31, 1998 and 1997, respectively. The related differentials to be paid or received are recognized over the terms of agreements.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements described previously.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings, and trade payables

The carrying amount approximates fair value because of the short maturity of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices for those instruments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present (discounted) value of future cash flows using an appropriate current discount rate.

(e) Foreign exchange forward contracts

The fair value of foreign exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates or the amount that Sanyo would receive or pay to terminate the swap agreements at the balance sheet date.

The estimated fair values of financial instruments as of March 31, 1998 and 1997 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	1998		1997		**1998**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives:						
Liabilities:						
Long-term debt	**¥456,636**	**¥462,067**	¥410,506	¥408,832	**$3,459,363**	**$3,500,508**
Derivatives:						
Foreign exchange forward contracts	**¥ —**	**¥ (1,528)**	¥ —	¥ (1,187)	**$ —**	**$ (11,576)**
Interest rate and currency swap agreements	**—**	**(1,742)**	—	262	**—**	**(13,197)**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop the estimate of fair value. Accordingly, the estimate presented herein may not be indicative of the amounts that could be realized in the current market exchange. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

11 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the Code), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash payments for appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of its stated capital. The legal reserve may be used to reduce a deficit or may be transferred to stated capital through appropriate stockholder and director actions but is not available for dividend payment.

12 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 51% for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995.

On March 31, 1998, the Japanese Tax Reform Act was enacted that, among other things, decreased the Japanese national corporate tax rate and enterprise tax rate by 3% and 1%, respectively, effective for fiscal years starting on or after April 1, 1998. As a result, the Company's statutory income tax rate is decreased to 48% from the year ending March 31, 1999. The deferred tax assets and liabilities at March 31, 1998 were adjusted to reflect this revised rate. As a result, income taxes—deferred increased by ¥2,816 million for the year ended March 31, 1998.

Reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 are as follows:

	1998	1997	1996	1995
Statutory income tax rate	**51.0 %**	51.0 %	51.0 %	51.0 %
Increase (decrease) in taxes resulting from:				
Valuation allowance provided for current period losses of subsidiaries	**29.7 %**	22.7 %	182.5 %	10.1 %
Effect of change in statutory tax rate	**7.4 %**	—	—	—
Expenses not deductible for tax purposes	**3.2 %**	2.9 %	10.6 %	2.7 %
Tax credits	**(19.3)%**	(17.3)%	(17.6)%	(3.5)%
Differences in statutory tax rates of foreign subsidiaries	**(3.4)%**	(3.0)%	(5.7)%	(2.3)%
Other	**(3.5)%**	5.8 %	16.1 %	12.0 %
Effective income tax rate	**65.1 %**	62.1 %	236.9 %	70.0 %

The significant components of deferred tax assets and deferred tax liabilities at March 31, 1998 and 1997 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	**1998**
Deferred tax assets:			
Accrued pension and severance costs	**¥23,751**	¥16,828	**$179,932**
Accrued expenses	**13,718**	10,270	**103,924**
Operating loss carryforwards	**10,717**	11,935	**81,189**
Inventories	**4,006**	6,715	**30,348**
Allowance for doubtful accounts	**3,411**	2,790	**25,841**
Property, plant and equipment	**865**	2,016	**6,553**
Enterprise taxes	**1,012**	1,091	**7,667**
Long-term investments	**3,788**	2,496	**28,697**
Other	**6,932**	7,041	**52,516**
Gross deferred tax assets	**68,200**	61,182	**516,667**
Less, valuation allowance	**(9,405)**	(11,981)	**(71,250)**
Total deferred tax assets	**58,795**	49,201	**445,417**
Deferred tax liabilities:			
Short-term investments	**(17,074)**	(38,355)	**(129,348)**
Long-term investments	**—**	(2,328)	**—**
Deferred income	**(6,477)**	(5,615)	**(49,068)**
Deferred expenses	**(963)**	(1,093)	**(7,295)**
Other	**(662)**	(1,520)	**(5,017)**
Gross deferred tax liabilities	**(25,176)**	(48,911)	**(190,728)**
Net deferred tax assets	**¥33,619**	¥ 290	**$254,689**

At March 31, 1998, valuation allowance of ¥9,405 million ($71,250 thousand) was recorded against deferred tax assets for items that may not be realized. In 1998, total valuation allowance decreased by ¥2,576 million ($19,515 thousand).

Operating loss carryforwards of consolidated subsidiaries at March 31, 1998 amounted to approximately ¥30,809 million ($233,402 thousand) and are available as an offset against future taxable income of such subsidiaries. These will expire in the period from 1999 through 2013.

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 were ¥94,683 million ($717,295 thousand), ¥93,633 million, ¥29,858 million and ¥88,657 million, respectively.

14 GAIN ON PUBLIC STOCK ISSUANCE BY SUBSIDIARY

On July 10, 1996, SANYO Electric Credit Co., Ltd. (“SECR”), a consolidated domestic subsidiary, completed an issuance of 2,000,000 shares of its common stock at prices ranging from ¥1,750 ($13.26) to ¥2,760 ($20.91) per share in an initial public offering. As a result of this issuance, the Company’s ownership in SECR decreased from 72.50% to 65.91% and a gain of ¥1,248 million ($9,455 thousand) was recognized due to the offering prices exceeding the Company’s average carrying value per share.

15 INCOME PER SHARE

Income per share for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and the year ended November 30, 1995 is as follows:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	**1998**
Basic income per share calculation:					
Income (numerator):					
Net income (loss)	**¥12,320**	¥17,674	¥(3,738)	¥15,551	**$ 93,333**
Shares, thousand (denominator)					
Weighted average number of shares	**1,951,099**	1,951,062	1,950,926	1,950,286	**1,951,099**
Basic income (loss) per share (yen and U.S. dollars)	**¥6.31**	¥ 9.06	¥ (1.92)	¥ 7.97	**$ 0.048**
Diluted income per share calculation:					
Income (numerator):					
Net income (loss)	**¥ 12,320**	¥ 17,674	¥(3,738)	¥ 15,551	**$ 93,333**
Interest on convertible bonds, net of tax	**47**	677	—	727	**356**
Adjusted net income (loss)	**12,367**	18,351	(3,738)	16,278	**93,689**
Shares, thousand (denominator):					
Weighted average number of shares	**1,951,099**	1,951,062	1,950,926	1,950,286	**1,951,099**
Assumed conversion of convertible bonds	**9,428**	90,457	—	98,191	**9,428**
Adjusted weighted average number of shares	**1,960,527**	2,041,519	1,950,926	2,048,477	**1,960,527**
Diluted income (loss) per share (yen and U.S. dollars)	**¥ 6.31**	¥ 8.99	¥ (1.92)	¥ 7.95	**$ 0.048**

The calculation of weighted average number of shares for diluted income (loss) per share in 1998 and 1996 does not include incremental shares of 67,045 thousand and 97,564 thousand, respectively, from assumed conversions of convertible bonds since their effects are anti-dilutive.

As described in Note 17, on April 7, 1998, the Board of Directors approved the repurchase of certain shares of the Company’s common stock during the period from April 8 to June 25, 1998. Shares repurchased will be excluded from outstanding shares in the calculation of income per share for the years starting on or after April 1, 1998.

16 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 1998 and 1997, the four-month period ended March 31, 1996 and year ended November 30, 1995 is as follows:

	Millions of Yen				Thousands of U.S. Dollars
	1998	1997	1996	1995	**1998**
Supplemental disclosures of cash flow information:					
Cash paid during the period for:					
Interest	**¥31,101**	¥29,193	¥8,599	¥39,027	**$235,614**
Income taxes	**25,962**	21,203	9,629	33,773	**196,682**
Conversion of convertible debt into common stock	**¥ —**	¥ 98	¥ 6	¥ 166	**$ —**

17 SUBSEQUENT EVENT

Under the authorization of the Board of Directors, the Company repurchased 25 million shares of its common stock from the market with an aggregate acquisition cost of ¥9.9 billion during the period from April 8 to June 25, 1998. Those shares were recorded as treasury stock and are in the legal process of cancellation pursuant to the resolution of the annual stockholders' meeting held on June 26, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS

Coopers & Lybrand

To the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1998 and 1997 and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended March 31, 1998, the four-month period ended March 31, 1996 and the year ended November 30, 1995, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 14 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for the omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 1998, the four-month period ended March 31, 1996 and the year ended November 30, 1995, in conformity with accounting principles generally accepted in the United States of America.

Coopers & Lybrand

Osaka, Japan
June 3, 1998 except as to the information presented in Note 17, for which the date is June 26, 1998

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 26, 1998)

Chairman
Satoshi Iue

Vice Chairman
Yasuaki Takano

President
Sadao Kondo

Executive Vice Presidents
Masaho Sugimoto
Yoshio Shimoda

Executive Managing Directors
Isamu Nakagawa
Yasusuke Tanaka
Junichiro Yano

Managing Directors
Tsutomu Odaka
Yasuo Ohira
Yukinori Kuwano
Hiromoto Sekino
Toshimasa Iue
Sunao Okubo

Director, Counselor
Masaru Yamano

Directors
Yutaka Kimoto
Motoharu Iue
Minoru Hagihara
Osamu Seto
Fusao Terada
Akiyoshi Takano
Hitoshi Komada
Akira Yoshida
Masabumi Kawano
Satoshi Inoue
Tadahiko Tanaka
Tadao Shimada
Shosaku Kurome

Corporate Auditors
Tsuyoshi Morikawa
Akihide Kawanaka
Shigeru Sakata

Outside Corporate Auditors
Sotoo Tatsumi
Takao Sudo
(Sotoo Tatsumi is advisor of the Sumitomo Bank, Limited, and Takao Sudo is president of STC Co., Ltd.)

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 1998)

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sale of Audio Equipment, Information Systems, Electronic Devices, and Home Appliances

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sale of Semiconductors

SANYO Life Electronics Co., Ltd.
Principal Business: Sale of Electric and Electronic Equipment

SANYO Electric Trading Co., Ltd.
Principal Business: Import, Export, and Sale of Electric and Electronic Equipment

SANYO Electric Credit Co., Ltd.
Principal Business: Credit Sale and Lease of Equipment

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sale of Color TVs

SANYO Electronics (Singapore) Private Limited
Principal Business: Manufacture and Sale of Telephones and Color TVs

SANYO North America Corporation
Principal Business: Sale of Electric and Electronic Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sale of Semiconductors

(Sanyo has a total of 79 consolidated subsidiaries—51 in Japan and 28 overseas.)

PRINCIPAL SANYO SUBSIDIARIES AND AFFILIATES WORLDWIDE

(As of March 31, 1998)

● Manufacturing Companies	77
■ Sales Companies	35
◆ Other Companies	27
Total	139

NORTH AMERICA

United States

● SANYO Manufacturing Corporation, *Forrest City, Arkansas*
● SANYO E & E Corporation, *San Diego, California*
● SANYO California Corporation, *San Diego, California*
● SANYO Information Systems Corporation, *San Diego, California*
● SANYO Energy (U.S.A.) Corporation, *San Diego, California*
● SANYO Audio Manufacturing (USA) Corporation, *Milroy, Pennsylvania*
● SANYO Video Components (U.S.A.) Corporation, *San Diego, California*
● Solec International, Inc., *Hawthorne, California*
■ SANYO Semiconductor Corporation, *Allendale, New Jersey*
■ SANYO Semiconductor Distribution (U.S.A.) Corporation, *Norwood, New Jersey*
◆ SANYO North America Corporation, *New York, New York*
◆ SANYO Laser Products, Inc., *Richmond, Indiana*
◆ SANYO Logistics Corporation, *Carson, California*
◆ SANYO Electric Finance (USA) Corporation, *New York, New York*

Canada

■ SANYO Canada Inc., *Toronto, Ontario*
◆ SANYO E.T. Canada Inc., *Toronto, Ontario*
◆ SANYO Canada Holdings 1990 Inc., *Toronto, Ontario*

Mexico

● Sanmex, S.A. de C.V., *Tijuana*
● MABE SANYO Compressors S.A. de C.V., *Tijuana*
◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana*

SOUTH AMERICA

Brazil

◆ SANYO do Brasil Participaçoes e Empreendimentos S/C Ltda., *São Paulo*
◆ Umuarama Administraçoes de Bens e Participaçoes, S/A., *Curitiba*

Argentina

● NEWSAN S.A., *Buenos Aires*
◆ Sanelco S.A., *Ushuaia*

EUROPE

United Kingdom

● SANYO Industries (U.K.) Limited, *Lowestoft*

● SANYO Electric Manufacturing (U.K.) Limited, *Newton Aycliffe*
● SANYO Gallenkamp PLC, *Uxbridge*
● SANYO Energy (U.K.) Company Limited, *Hemel Hempstead*
■ SANYO U.K. Sales Limited, *Watford*
■ SANYO Information Systems (UK) Limited, *Watford*
◆ SANYO Electric International Finance (UK) PLC, *Watford*

The Netherlands
■ SANYO Gallenkamp B.V., *Breda*
◆ SANYO Electric Finance Netherlands B.V., *Amsterdam*

Belgium
◆ N.V. SANYO Sales (Antwerp) S.A., *Antwerp*

Germany
● SANYO Industries Deutschland GmbH, *Nördlingen*
● SANYO Energy (Europe) Corporate GmbH, *Haar*
■ SANYO FISHER Vertriebs GmbH, *München*
■ SANYO Büro-Electronic Europa-Vertrieb GmbH, *München*
■ SANYO Semiconductor (Europe) GmbH, *Eschborn*

Italy
● SANYO Argo Clima S.r.L., *Gallarate*
■ SANYO Airconditioners Europe S.r.L., *Milano*
■ SANYO Sales Italia s.r.L., *Milano*

Spain
● SANYO España, S.A., *Barcelona*

Portugal
■ SANYO Portugal Electronica S.A., *Amadora*

AFRICA

Kenya
■ SANYO ARMCO (Kenya) Limited, *Nairobi*

Ghana
● Ghana SANYO Company Limited, *Tema*

South Africa
■ SANYO South Africa (Pty) Ltd., *Sandton*

ASIA

China
● SANYO Electric (Shekou) Ltd., *Shenzhen*
● Huaqiang SANYO Electronics Co., Ltd., *Shenzhen*
● Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang*
● Dongguan Huaqiang SANYO Plastic Injection Co., Ltd., *Dongguang*
● Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang*
● Shenzhen Huaqiang SANYO Optical Technology Co., Ltd., *Shenzhen*
● Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin*
● Suzhou SANYO Electro-Mechanical Co., Ltd., *Jiangsu*
● SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou*
● Hefei SANYO Rongshida Electric Co., Ltd., *Suzhon*
● Dalian SANYO Compressor Co., Ltd., *Dalian*
● Dalian SANYO Refrigeration Co., Ltd., *Dalian*
● Guangdong SANYO Air Conditioner System Manufacturing Ltd., *Fushan*
● Shenyang SANYO Airconditioner Co., Ltd., *Shenyang*
● Dalian Honjo Chemical Corporation, *Dalian*
● Dalian SANYO Air Conditioner Co., Ltd., *Dalian*
● Dalian SANYO Cold-Chain Co., Ltd., *Dalian*
● Guangdong SANYO KELON Refrigerator Co., Ltd., *Guangdong*
● Dalian SANYO Food Systems Co., Ltd., *Dalian*
● SANYO Semiconductor (Shekou) Ltd., *Shenzhen*
● Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen*
● Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen*
● Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou*
● Dalian SANYO Home Appliances Co., Ltd., *Dalian*
◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen*
◆ Guandong Huaqiang SANYO Group Co., Ltd., *Dondduang*
◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Dalian*
◆ SANYO Electric (China) Co., Ltd., *Beijing*
◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian*
● Dalian Bingshan Metal Processing Co., Ltd., *Dalian*
◆ Beijing SANYO Cleaning Co., Ltd., *Beijing*

◇ **(Hong Kong)**
● SANYO Energy (Hong Kong) Company Limited
● Tottori SANYO Electric (Hong Kong) Limited
■ Tatt Sing SANYO Electric Company Limited
■ SANYO Electronics (H.K.) Limited
■ SANYO Semiconductor (H.K.) Co., Ltd.
■ SANYO Commercial Refrigeration International Co., Ltd.
◆ SANYO Electric (Hong Kong) Limited

Taiwan
● SANYO Electric (Taiwan) Co., Ltd., *Taipei*
● SANYO Electronic (Taichung) Co., Ltd., *Taichung*
● SANYO Energy (Taiwan) Co., Ltd., *Taipei*
■ SANYO Semiconductor Taipei Co., Ltd., *Taipei*
■ Chen Ho & Co., Ltd., *Taipei*

Republic of Korea
● Korea Tokyo Electronic Co., Ltd., *Masan*
● Korea Tokyo Silicon Co., Ltd., *Masan*
● Korea T.T. Co., Ltd., *Masan*
● Korea SANYO Electric Co., Ltd., *Chang Won*

Philippines
● SANYO (Philippines), Inc., *Metro Manila*
● SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac*
● Sanwa Electric Philippines, Inc., *Cavite*
■ SANYO Marketing Corporation, *Metro Manila*
● Tottori SANYO Electric (Philippines) Corporation, *Cavite*

Thailand
● SANYO Universal Electric Public Co., Ltd., *Bangkok*
● SANYO Semiconductor (Thailand) Co., Ltd., *Ayutthaya*
■ SANYO (Thailand) Co., Ltd., *Bangkok*
■ SANYO SMI Thailand Co., Ltd., *Bangkok*

Vietnam
● SANYO Home Appliances Vietnam Corporation, *Bien-hoa*

Malaysia
● SANYO Electric (Penang) Sdn. Bhd., *Penang*
● Santronics (M) Sdn. Bhd., *Johor*
● FMS Audio Sdn. Bhd., *Penang*
■ SANYO Sales and Service Sdn. Bhd., *Petaling Jaya*

Singapore
● SANYO Industries (Singapore) Private Limited
● SANYO Electronics (Singapore) Private Limited
● SANYO Airconditioners Manufacturing Singapore, Pte., Ltd.
● SANYO Compressor Singapore Pte., Ltd.
● SANYO Denso Industries (Singapore) Pte., Ltd.
■ SANYO Malaysia Sdn. Bhd.
■ SANYO Airconditioners (Singapore) Pte., Ltd.
■ SANYO Semiconductor (S) Pte., Ltd.
■ SANYO Energy (Singapore) Corporation Pte., Ltd.
■ Kumagaya Precision Motor (Singapore) Pte., Ltd.
■ SANYO Electronic Components (Singapore) Private Limited
◆ S.C. STAFF Private Limited

Indonesia
● P.T. SANYO Industries Indonesia, *Jakarta*
● P.T. SANYO Jaya Components Indonesia, *Bogor*
● P.T. SANYO Energy (Batam) Corporate, *Batam Island*
● P.T. SANYO Compressor Indonesia, *Bekasi, West Java*
● P.T. Kumagaya Precision Motor Batam, *Batam Island*
● P.T. Jaya Indah Casting, *Bekasi, West Jaya*
● P.T. SANYO Electronics Indonesia, *West Java*

India
● BPL SANYO Limited, *Bangalore*
◆ BPL SANYO Finance Limited, *Bangalore*

OCEANIA

Australia
■ SANYO Australia Pty. Ltd., *Homebush, N.S.W.*

New Zealand
■ Autocrat SANYO Holdings (N.Z.) Limited, *Auckland*

INVESTOR INFORMATION

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Tel: (06) 991-1181
Facsimile: (06) 991-6566 (Corporate Communications Department)

TOKYO OFFICE
1-10, Ueno 1-chome, Taito-ku, Tokyo 110-8534, Japan
Tel: (03) 3835-1111
Facsimile: (03) 3837-6381 (Corporate Communications Department)

U.S. CONTACT ADDRESS
SANYO North America Corporation
666 Fifth Avenue, New York, NY 10103, U.S.A.
Tel: (212) 315-3232
Facsimile: (212) 315-3263 (Corporate Communications Department)

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 1998)
Authorized: 5,000,000,000 shares Issued: 1,951,131,137 shares

CAPITAL (As of March 31, 1998)
¥172,238,795,113

NUMBER OF STOCKHOLDERS (As of March 31, 1998)
212,259

LISTINGS
Common stock is listed on the Tokyo, Osaka, and six other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 1998, 1997, 1996 and 1995 were as follows:

	Fiscal 1998		Fiscal 1997		Fiscal 1996		Fiscal 1995	
	High	**Low**	High	Low	High	Low	High	Low
First quarter	**¥535**	**¥434**	¥680	¥625	¥672	¥536	¥587	¥487
Second quarter	**533**	**365**	674	552			519	425
Third quarter	**439**	**290**	600	462			555	395
Fourth quarter	**405**	**295**	526	404			582	504

(a) Fiscal 1995 for Sanyo began on December 1 of the preceding calendar year.
(b) Fiscal 1996 for Sanyo was the four-month period from December 1, 1995 to March 31, 1996.
(c) Fiscal 1997 and 1998 for Sanyo began on April 1 of the preceding calendar year.

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 1998, 1997, 1996 and 1995 were as follows:

1998-II	**1998-I**	1997-II	1997-I	1996	1995-II	1995-I
¥2.50	**¥2.50**	¥2.50	¥2.50	¥1.70	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Department at our Head Office.

SANYO Electric Co., Ltd. ANNUAL REPORT 1998

SANYO Electric Co., Ltd. ANNUAL REPORT 1998

SANYO Electric Co., Ltd. ANNUAL REPORT 1998

SANYO Electric Co., Ltd.

Printed on recycled paper in Japan

EXHIBIT G

SANYO

Annual Report 1999

For the year ended March 31, 1999

SANYO Electric Co., Ltd.

PROFILE

Incorporated in 1950, SANYO Electric Co., Ltd., manufactures a broad range of electronic products grouped into six categories: video equipment, audio equipment, home appliances, industrial and commercial equipment, information systems and electronic devices, and batteries and other products. SANYO's net sales in fiscal 1999, ended March 31, 1999, amounted to ¥1,818.2 billion (US$15,151 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly an international organization, comprising 77 manufacturing companies, 32 sales companies, and 36 other companies based in 27 countries.

A particular focus and strength of Sanyo is the development of environment-friendly technologies, such as those for clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. For example, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries. Sanyo is also aggressively expanding its multimedia business, where its digital cameras, liquid crystal display projectors, and digital cellular phones, which were developed using its own independent technologies, have been highly acclaimed in a wide range of areas.

Contents

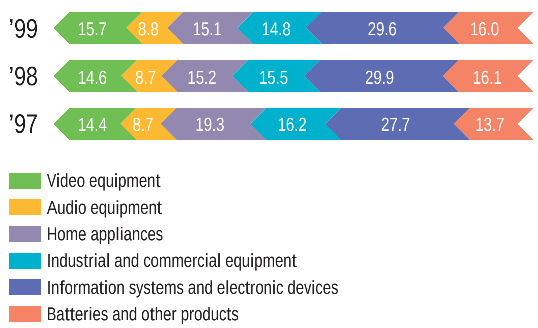
FINANCIAL HIGHLIGHTS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1999, 1998 and 1997

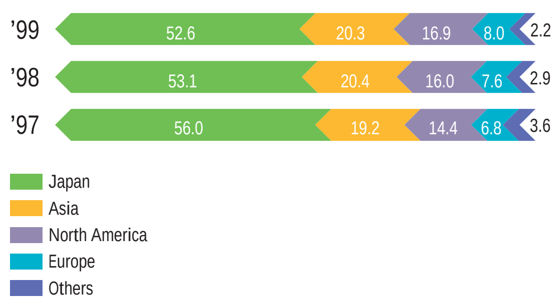
	Millions of Yen			Thousands of U.S. Dollars (Note a)
	1999	1998	1997	**1999**
Net sales	**¥1,818,153**	¥1,866,426	¥1,793,004	**$15,151,275**
Net (loss) income	**(25,883)**	12,320	17,674	**(215,691)**
Total stockholders' equity	**695,615**	750,572	775,805	**5,796,792**
Total assets	**2,662,525**	2,641,894	2,518,056	**22,187,708**
	Yen			U.S. Dollars (Note a)
Per share (Note b):				
Net (loss) income:				
Basic	**¥ (13.5)**	¥ 6.3	¥ 9.1	**$ (0.113)**
Diluted	**(13.5)**	6.3	9.0	**(0.113)**
Cash dividends declared	**5.0**	5.0	5.0	**0.042**
Per American Depositary Share (Note c):				
Net (loss) income:				
Basic	**¥ (67.5)**	¥ 31.5	¥ 45.5	**$ (0.563)**
Diluted	**(67.5)**	31.5	45.0	**(0.563)**
Cash dividends declared	**25.0**	25.0	25.0	**0.208**

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 1999.
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

Sales by Product Category (%)



Sales by Area (%)



We are pleased to report on the operations of SANYO Electric Co., Ltd., in fiscal 1999, ended March 31, 1999. In the world economy during the year under review, the U.S. and European economies experienced relatively firm growth. On the other hand, although Japan's gross domestic product, stock prices, and exchange rates gradually stabilized, economic conditions in other Asian countries remained generally sluggish. Domestically, the Japanese economy remained mired in its worst post-World War II recession amid a slump in housing expenditures and personal consumption, reflecting concerns about the financial system and the employment situation as well as a sharp decline in private-sector capital investment.

Extremely harsh conditions prevailed in the electronics industry due to weak prices for semiconductors and depressed sales of household electronic goods, particularly air conditioners. Under these challenging conditions, Sanyo focused on its strengths within its core competencies, mainly in multimedia and clean-energy fields, and developed new technologies aimed at the creation of products that consumers readily associate with the Sanyo name.

Business Results

Despite these efforts, consolidated net sales by Sanyo declined 2.6%, to ¥1,818.2 billion (US$15,151 million), as performance was significantly hampered by the effects of sluggish domestic consumption. Domestic sales amounted to ¥956.5 billion (US$7,971 million), a decrease of 3.5% from the previous fiscal year. Overseas sales were down 1.5%, to ¥861.6 billion (US$7,180 million), reflecting the adverse effects of the appreciation of the yen in the second half of the fiscal year.

At the profit level, despite strenuous efforts to rationalize all areas of management and reduce costs, operating income plummeted 49.1%, to ¥31.8 billion (US$265 million), and, to our regret, net loss amounted to ¥25.9 billion (US$216 million).

Although profits were adversely affected by intense price competition, exchange rate fluctuations in the second half of the fiscal year, and the disposal of investments and bad debts at affiliated companies, the principal factor underlying these decreases was lower net sales.

Sanyo believes that only those companies that restructure their operations to meet the demands of the 21st century and are able to continually develop new products will survive in the next century. Sanyo will take decisive steps over the next year to reform its management and build a structure that will ensure the Group's ongoing prosperity in the 21st century.

Adoption of a New Board Member, Introduction of Officers, and Reorganization of Business Headquarters into Business Group Companies

The membership of the board was reorganized and energized as an action-oriented group that allows it to make decisions from the perspective of the entire Sanyo Group. At the same time, the new group will strengthen the monitoring and surveillance of all areas of management. This reorganization incorporates the optimal number of directors, enabling the Group thorough discussion of issues while still allowing for expeditious decision making. In addition, we were honored to welcome Her Excellency Corazon C. Aquino, former president of the Philippines, as a director.

Together with the reorganization of the Board of Directors, Sanyo introduced officers who are responsible for various key functions and businesses of the Company.

In order to build a solid business foundation for sustainable future growth, we have reorganized business headquarters into business companies effective April 1, 1999. The objective of this reorganization is to increase the speed of managing the respective product groups, thus gaining a sharper competitive edge. This new structure is not merely a modification of the former business headquarters but

positions each product group as a truly independent company within a larger company. This new structure comprises five separate companies: Multimedia, Home Appliances, Commercial Equipment Systems, Semiconductor, and Soft Energy. Each of these companies will implement businesses strategies with the three basic objectives of increasing sales, cutting costs, and achieving the most effective balance of human assets.

Business Strategies for Further Growth

The 21st century is expected to witness the creation of new markets in multimedia, centering on digital networks, as well as in fields related to the environment and the aging of society. Sanyo aims to pursue new business opportunities in these fields. In the market for digital networks, for example, Sanyo is focusing on offering complete systems that integrate hardware with software. Sanyo will place particular emphasis on devices and equipment that rely heavily on software, including digital cameras and digital cellular phones; area management systems for refrigerator/ freezer/chiller supermarket showcases; Hazard Analysis Critical Control Point response systems, which are an essential element of the food system business; and a "silver care" system, which is an in-home service that provides support for monitoring the health of senior citizens.

Satoshi Iue (left), Chairman, and Sadao Kondo, President

Sanyo is vigorously developing distinctive products and aggressively carrying out its business activities in digital networks, environmental fields, and products for the elderly, demand for which is expected to expand significantly.

Sanyo's efforts to cultivate new business in these sectors will be directed toward three areas. First, Sanyo will progress with the development of digital-information-related household appliances that are expected to form the core of a "household-centered, information-based society" as well as key devices for these appliances. A crucial task in this area will be to develop technologies that will be de facto standards for system interfacing based on device and software technologies. Sanyo plans to draw on its cooperative agreement formed in 1998 with IBM to introduce leading-edge semiconductor technologies and combine these with its own technologies as it strives to efficiently expand its business and develop appealing new products.

Second, Sanyo will develop new technologies with applications in such fields as refrigerators, air conditioners, telecommunications equipment, and visual equipment—core products in Sanyo's efforts to respond to evolving trends in health maintenance and food hygiene. Sanyo

will also develop user-friendly products that address the needs of the elderly.

Third, Sanyo will develop new, advanced clean-energy technologies, including solar cells that promote a harmonious coexistence between people and the environment as well as proposal-based environment-friendly products. In clean energy, Sanyo is addressing environmental protection related issues, including recycling and the disposal of used household electronic appliances.

The business climate in fiscal 2000 is expected to become increasingly turbulent amid intensifying price competition and competition to develop new products. Sanyo aims to overcome these difficulties by successfully reforming its business structure as it works to become an "excellent company."

Forming Strategic Tie-ups and Entering the Financial Securities Business

Sanyo will progress with efforts to build solid foundations in fields that are expected to grow in the future. Central to these efforts is collaboration with leading companies worldwide. In July 1998, Sanyo reached an agreement with IBM to carry out a joint development of system large-scale integrations. Also, in November 1998 Sanyo formed an agreement with Philips Semiconductors, of the Netherlands, to carry out business in semiconductors and to develop, manufacture, and market next-generation charge-coupled devices, which are optical sensors used in digital still cameras and digital video cameras. In February 1999, Sanyo formed a comprehensive alliance with Eastman Kodak Company, of the United States, to jointly develop organic electroluminescent displays, which are next-generation flat panel displays used in such portable digital equipment as digital cameras and personal digital assistants. Each of these three businesses represents vital sectors for the development of key components for use in digital information related household appliance fields that are expected to expand rapidly in the future.

In addition, Sanyo is diversifying its operations beyond electronics to include the financial securities industry. To launch its entry into this field, Sanyo acquired a 55% share in Yamagen Securities Co., Ltd., in April 1999. Yamagen Securities, located in Osaka, is an integrated securities company with particularly strong capabilities in the retail market. By acquiring Yamagen Securities, Sanyo aims to achieve synergies with its main businesses.

Sanyo's Approach to Environmental Protection

As a responsible corporate citizen, Sanyo has placed top priority on responding to various environmental issues. Highlighting its ongoing commitment to environmental protection, Sanyo has obtained ISO 14001 certification, the international standard for environmental management systems, at 105 production bases as of March 31, 1999. This included 48 domestic bases and 57 overseas business offices. Also, Sanyo is taking a vigorous approach to responding to Japan's Recycling Law and reducing toxic waste substances. In May 1999, Sanyo received a Certificate of Appreciation from the Environment Agency, Government of Japan, as well as the Japan Federation of Economic Organizations Chairman's Award for environmental protection. Furthermore, SANYO Electric Manufacturing (U.K.) Limited, a manufacturing base in the United Kingdom, received the Environment 5-Star Award.

By carrying out the business activities and reform of its structure as outlined earlier, Sanyo aims to achieve even higher levels of customer satisfaction and further improve its performance. We ask our stockholders for their continued support.

July 1999

Satoshi Iue

Satoshi Iue,
Chairman & Chief Executive Officer

Sadao Kondo

Sadao Kondo,
President & Chief Operating Officer

Digital-Related Products—The Pillar of Our Operations

Akiyoshi Takano
President

- *Born in October 1942 in Tottori Prefecture*
- *Graduated from Waseda University's Law Department in March 1965*
- *Joined SANYO Electric Trading Co., Ltd., in April 1965*
- *Was seconded to SANYO Electric Inc. in September 1967*
- *Became president of SANYO Electric Inc. in December 1990 and president of Sanyo's AV Division in April 1996*
- *Assumed duties of Sanyo director in June 1996 and president of the CE Media Division in April 1997 and became a senior officer in June 1999*

The Multimedia Company is a large global organization that operates in markets worldwide. Because of its global scale, the performance of the Multimedia Company is significantly influenced by world economic trends. Among world markets for the numerous personal-use products handled by this company, those for such traditional products as color TVs and video and audio equipment have reached the saturation point, and this situation is expected to remain unchanged. Therefore, the key to expanding future business amid this challenging environment will be to strengthen our position in digital-related product fields.

Under Sanyo's Company System, the Consumer Electronics (CE) Media Division and the Information and Telecommunications Division have been integrated. We anticipate that this consolidation will facilitate a more active interchange and fusion of leading-edge technologies. This will allow us to further solidify our businesses in our fields of strength and create new products that combine various existing digital technologies.

The Multimedia Company maintains market-leading positions for a number of its digital-related products. For example, we are the world's number one company in the production of digital cameras, hold the world's second largest share for liquid crystal display (LCD) projectors and CD pickups, and rank as the top producer of medicoms, which are computers for medical institutions, in Japan. Also, the Multimedia Company is recording large increases in sales of personal communications devices. Based on these products, the process of selection and concentration will become more important as we determine our fields of specialization.

The Multimedia Company is a large organization consisting of five business divisions and six principal affiliated companies that are each comparable to a business division in terms of size. Coordinating such a massive organization as a cohesive unit requires responsible managers, including the general manager of each division as well as myself in my role as president, to carry out self-initiated management and assume greater responsibility in all phases of operations, including production, sales, profit, and personnel-related matters. At the same time, managers will have to work to cultivate employees with business management capabilities and a sense of responsibility.

My role will be to respect the self-initiated efforts of top management and to ensure that all divisions within the Multimedia Company as well as in the Sanyo Group are all operating on the same wavelength and function together smoothly.

Masabumi Kawano
President
- *Born in July 1940 in Tokyo*
- *Graduated from Doshisha University's Economic Department in March 1962*
- *Entered Tokyo SANYO Electronic Co., Ltd., in April 1962*
- *Transferred to Sanyo in December 1986*
- *Became vice president of the CE Media Business Division in April 1997*
- *Assumed duties of Sanyo director in June 1998 and became a senior officer in June 1999*

Improving Our Financial Balance with an Emphasis on Cash Flow

Of the five new companies created under the recently adopted Company System, the Home Appliances Company's businesses operate within the most matured markets. To sustain the company's growth momentum into the 21st century, a top priority will be to reorganize the business structure of the Home Appliances Company and reform its management. Specifically, we must build an organization capable of maintaining growth and achieve our ultimate objective: raising profitability. In establishing such an organization, it is imperative that we carry out management with an emphasis on cash flow, focusing on such areas as reducing inventories and credit and recovering investments and assets.

Our quest to raise profitability is targeted at three key areas: pruning fixed costs, trimming variable expenses, and increasing sales. Our efforts to cut fixed costs will be directed toward achieving a more efficient use of staff and formulating countermeasures for attaining appropriate staff levels when launching new businesses. To reduce variable expenses, the three business divisions that make up the Home Appliances Company have been consolidated, thereby facilitating the sharing of information, which enables the implementation of more effective procurement strategies and the obtaining of discounts from larger-volume purchasing.

Unquestionably, the key to increasing sales will be the development of appealing new products. Through the unification of various product categories in such markets as air conditioners, refrigerators, washing machines, microwave ovens, and vacuum cleaners, we will be better able to develop truly unique products based on common concepts.

A significant issue facing the Home Appliances Company is responding to various environmental issues. In particular, I anticipate that recycling will have an increasingly significant impact on our operations. At present, the Home Appliances Company produces three of the four types of products subject to Japan's Recycling Law: air conditioners, refrigerators, and washing machines. Therefore, we must develop products that respond to environmental needs by making improvements from the technology design stage as well as by reevaluating the materials used in these appliances.

Finally, while responding to changes in the business environment, based on fundamental business principles, we will adopt a new way of thinking, cast aside outdated notions and concepts in all our activities, and reevaluate our operations with conviction.

A Fusion of Elemental Technologies and Offering Comfortable Living Space

Hitoshi Komada
President
- *Born in July 1941 in Kyoto*
- *Graduated from Osaka University's Engineering Department in March 1966*
- *Joined Tokyo SANYO in April 1966*
- *Transferred to Sanyo in December 1986 following a merger*
- *Assumed duties of Sanyo director in April 1998 and general manager of the Industrial Systems Division in April 1998 and became a senior officer in June 1999*

The Commercial Equipment Systems Company is mainly formed around the Industrial Systems Division and includes the Environmental Systems Division and the Commercial Air-Conditioning Division. Commercial equipment systems represent one of Sanyo's fields of strength, and Sanyo is one of the top companies in this industry, boasting extremely high shares in numerous markets. The introduction of the Company System has unified Sanyo's commercial equipment systems operations under a single company. Through this reorganization, the Commercial Equipment Systems Company can draw on its overall strengths to position each business—even those businesses in which it does not currently hold top positions—as a leader in its respective market.

Most competitors of the Commercial Equipment Systems Company are highly specialized manufacturers. With this in mind, it is imperative we build a strong business structure that allows us to prevail over these specialized manufacturers in each of our targeted markets, including refrigerator supermarket showcases, vending machines, and system kitchens. Our success in establishing leading market positions will be ultimately determined by whether or not our products can contribute to the continued profitability of our customers in such areas as maintenance and after-sales service. From a technical perspective, we are combining elemental technologies to create new products, while in terms of sales we can propose new technologies as complete systems. These are basically our chief competitive strengths. We call this "space engineering," which refers to not just the floor area but the entire interior of a room, including environmental control.

The Commercial Equipment Systems Company will carry out its operations based on the watchwords "environmental response," "hygiene monitoring," and "information oriented." Specifically, we are devising chlorofluorocarbon countermeasures and developing and delivering Hazard Analysis Critical Control Point response systems. In addition, with the Air Conditioner Division business now integrated into the operations of the industrial systems operations, we are better positioned to create new business in area management. We also plan to carry out our space engineering businesses overseas.

Whether or not we achieve these objectives will be determined by individual employees. We must remember that our customers are also professionals in their respective fields, and satisfying their needs will require a combination of specialized knowledge, marketing prowess, and technological capabilities. These are the keys to successfully carrying out the operations of the Commercial Equipment Systems Company.

Yukinori Kuwano
President

- *Born in February 1941 in Fukuoka Prefecture*
- *Graduated from Kumamoto University's Physics Department in March 1963*
- *Entered Sanyo in April 1963*
- *Became manager of the R&D Division's Functional Materials Research Laboratory in December 1987*
- *Became deputy general manager of the R&D Division in April 1992*
- *Became a director in February 1993 and a managing director in June 1996*
- *Assumed duties of president of the Information and Communications Division in April 1998 and became director and an executive officer in June 1999*

Unique Products for Becoming an Industry-Leading Company

Despite ongoing difficult conditions in the semiconductor industry, semiconductors are expected to play an increasingly important role as indispensable components for an ever-growing range of devices. Moreover, demand for semiconductors is being supported by the arrival of the digital age. As a prime example, system large-scale integration (LSI) is enabling numerous components in such digital products as cellular phones, PC peripheral equipment, and digital TVs to be condensed. In addition, it is believed that system LSI equipment will replace microprocessors for controlling the cooling and heating functions in refrigerator/freezer/chiller supermarket showcases as well as for use in control panels for refrigerators.

The Semiconductor Company is well positioned to meet these trends through its involvement in various applied device businesses, giving the company a significant advantage over its competitors in the development of semiconductors. We are carrying out our business guided by the philosophy "Becoming the industry's top company with 'Only One'* products that draw on our core competencies." Also, the Semiconductor Company will place high emphasis on expanding its business activities by taking an aggressive approach to such growing niche markets as flash memories, bipolar complementary metal-oxide semiconductors, and environmentally-considered chip scale packages (a micro-transistor) that are expected to experience rapid expansion in the future.

The Semiconductor Company is operating in an era characterized by intense competition and the need to be highly selective. The Company System was introduced to enable Sanyo to respond flexibly to this rapidly fluctuating business environment. Similarly, the Semiconductor Company must transform its operating structure to ensure the company can sustain its prosperity amid this rigorous environment and withstand the global selection process. Thus, it is essential that the Semiconductor Company develop strategic operational policies that incorporate the concept of self-responsibility.

As president of the Semiconductor Company, my top priority is to raise profitability, focusing efforts mainly on developing and introducing a steady stream of new products as well as expanding sales. Also, I will work to strengthen our cost-competitiveness by establishing low-cost operations while ensuring that we offer world-leading products and can generate high profits.

*A term used to describe a company's unique products

The Company System Is Another Step Up

Toshimasa Iue
President

- *Born in December 1962 in Hyogo Prefecture*
- *Graduated from Boston University's School of Management in December 1988 with an M.B.A.*
- *Entered Sanyo in April 1989 and became vice president of SANYO North America Corporation in September 1991*
- *Became representative director of Tottori SANYO Electric Co., Ltd., in February 1992 and managing director and general manager of the Business Promotion Division of Tottori SANYO in February 1995*
- *Appointed president of the Soft Energy Business Headquarters of Sanyo in April 1996*
- *Assumed duties of Sanyo director in June 1996 and managing director in June 1998*
- *Became president of the Soft Energy Company in April 1999 and director and executive officer of Sanyo in June 1999*

The present operating environment surrounding the Soft Energy Company is changing significantly. Within this evolving environment, rechargeable batteries supplied by the Soft Energy Company are playing an important role. In addition, rapid growth in the telecommunications fields is accelerating, and competition accompanying this expansion is intensifying. Therefore, speed in carrying out business activities is essential for surviving in this highly competitive environment. The introduction of the Company System is an important step in responding to this environment.

The Soft Energy Company is involved in a vast spectrum of businesses that range from household information equipment, devices, and electronic appliances to aerospace-related fields. In addition, the Soft Energy Company believes that combining such businesses as its mainstay rechargeable batteries, lighting, and solar cells businesses will yield unlimited business possibilities and support significant growth. Products handled by the Soft Energy Company have such applications as key components in multimedia and clean energy—two fields that the Sanyo Group has targeted for growth.

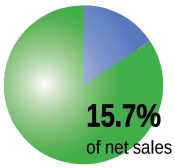
The Soft Energy Company has designated fiscal 2000 as a crucial year in its quest to create world-leading products and maintain its position as one of the world's top manufacturers. In the current harsh business environment, the true value of management is being called for.

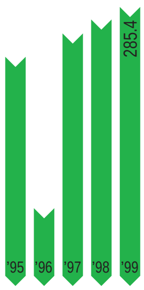
Enthusiasm and speed—without these crucial attributes, companies and their employees will lose their appeal and be unable to survive in harsh environments. I believe that the business strategies that will drive the Soft Energy Company must embody these attributes and pose a threat to competitors.

In 1995, Sanyo changed its fiscal year-end from November 30 to March 31; therefore, fiscal 1996 was only a four-month period.

VIDEO EQUIPMENT

Color TVs
VCRs
Video Cameras
Digital Cameras
LCD Projectors
Monitor TVs
High-Definition TV Systems
Three-Dimensional Display Systems

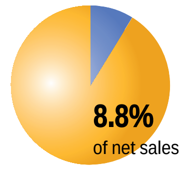


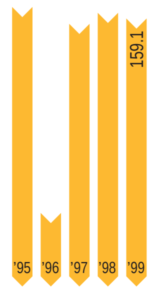


(billion ¥)

AUDIO EQUIPMENT

CD Players
Minidisc Players
Automotive Stereo Components
CDs
CD Pickups





(billion ¥)

During the fiscal year, sales of video equipment were up 4.9%, to ¥285,391 million (US$ 2,378 million), accounting for 15.7% of Sanyo's consolidated net sales.

In Japan, Sanyo posted a sharp rise in sales of digital cameras, which have garnered a large share of the domestic market and are representative of Sanyo's top-class technologies. Repeating a trend observed in the previous fiscal year, Sanyo recorded a steep gain in sales of LCD projectors. On the other hand, continued sluggishness in sales of color TVs and a decline in sales of videocassette recorders (VCRs) resulted from the long-term slump in consumption. As a result, domestic sales of video equipment made up 9.9% of Sanyo's total domestic sales.

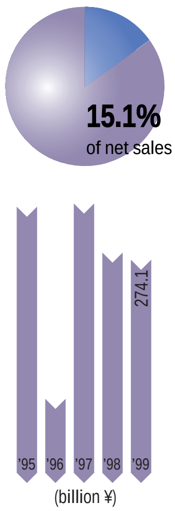
Overseas, Sanyo recorded a sharp rise in sales of LCD projectors while maintaining sales of color TVs and VCRs at approximately the same levels as in the previous fiscal year. However, sales of digital cameras declined. By geographic region, sales of color TVs in North America were robust while sales of VCRs soared in Asia and the Near East and Middle East. As a result, overseas sales of video equipment made up 22.1% of Sanyo's total overseas sales.

In fiscal 1999, sales of audio equipment decreased 2.2%, to ¥159,100 million (US$1,326 million), making up 8.8% of consolidated net sales, approximately the same as in the previous fiscal year. Although sales of most products within audio equipment were sluggish, Sanyo recorded brisk growth in sales of its mainstay CD pickups.

In Japan, Sanyo posted a decline in overall sales of audio equipment, with the exception of sales of CD pickups. As a result, domestic sales of audio equipment accounted for 3.6% of total domestic sales.

Overseas, sales of CD pickups remained at the same level as in the previous fiscal year. In contrast, sales of automotive stereo components were lower. By geographic region, in North America sales of CD pickups declined. In Asia, sales of CD pickups were level with those recorded in the previous fiscal year. Because of these developments, overseas sales of audio equipment made up 14.4% of Sanyo's total overseas sales.

HOME APPLIANCES



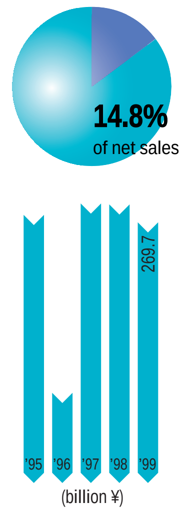
Refrigerators
Freezers
Clothes Dryers
Washing Machines
Microwave Ovens
Air Conditioners
Vacuum Cleaners
Electric Fans
Shavers, Hair Dryers, and Other Personal Grooming Products
Toasters, Rice Cookers, Water Purifiers and Processors, and Other Household Kitchen Appliances
System Kitchens
Lighting Systems and Household Lighting-Related Equipment
Electric, Gas, and Kerosene Heating Equipment
Gas and Kerosene Water Heaters
Dehumidifiers
Cold-Air Blowers
Home-Use Pumps
Motor-Assisted Bicycles
Electronic and Electric Products for Bicycles

Sales of home appliances were down 3.3%, to ¥274,099 million (US$2,284 million), or 15.1% of consolidated net sales. A principal factor underlying this decrease was a slump in domestic consumption, which led to declines in sales of air conditioners and electric fans.

In Japan, sales of washing machines, microwave ovens, and air conditioners fell. However, sales of refrigerators were robust. As a result of these factors, domestic sales of home appliances made up 20.3% of total domestic sales.

Overseas, Sanyo recorded favorable sales of refrigerators, microwave ovens, and personal grooming products. On the other hand, sales of air conditioners and vacuum cleaners were lower. Sanyo registered conspicuous growth in sales of air conditioners in Asia, Europe, and the Near East and Middle East. However, sales of air conditioners in North America plummeted. Because of the preceding developments, overseas sales of home appliances accounted for 9.3% of total overseas sales.

INDUSTRIAL AND COMMERCIAL EQUIPMENT



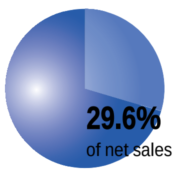
Refrigerator/Freezer/Chiller Supermarket Showcases
Prefabricated Freezers and Refrigerators
Condensing Units
Package-Type Air Conditioners
Gas-Engine Heat Pump Type Air Conditioners
Absorption-Type Chiller/Heaters
Vending Machines
Beverage Dispensers
Commercial Cleaning Equipment
Commercial-Use Pumps
Medical Sterilizing Equipment
Medical-Use Refrigerators
Incubators
Ultralow-Temperature Freezers
Automatic Tablet-Wrapping Machines
Golf Cart Systems
Automatic Chip Mounters
Emergency Lighting Systems

Sales of industrial and commercial equipment decreased 6.9%, to ¥269,726 million (US$2,248 million), making up 14.8% of consolidated net sales. All product categories in this group posted declines, with the most noticeable decrease in sales being in absorption-type chiller/heaters.

In the domestic market, sales of almost all products were down, particularly those of refrigerator supermarket showcases and commercial-use kitchen equipment. Therefore, domestic sales of industrial and commercial equipment accounted for 24.8% of total domestic sales.

Overseas, Sanyo posted a smooth expansion in sales of large commercial-use air conditioners while sales of vending machines and commercial-use kitchen equipment were maintained at the same levels as in the previous fiscal year. However, sales of absorption-type chiller/heaters and refrigerator supermarket showcases declined. Due to these factors, overseas sales of industrial and commercial equipment made up 3.8% of total overseas sales.

INFORMATION SYSTEMS AND ELECTRONIC DEVICES



(billion ¥)

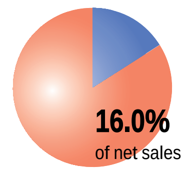
PCs
Word Processors
Facsimiles
Copiers
Cordless Telephones
Digital Cellular Phones
PHS Base Stations
Medical Computer Systems
Point-of-Sale Systems
Hotel Computer Systems
Electronic Cash Registers
Automobile Navigation Systems
CRT Displays
CD-ROM Systems
DVD-ROM Systems
MOS-LSIs
BIP-LSIs
Thick-Film ICs
LCDs
LEDs
Transistors
Diodes
Semiconductor Lasers
Image Sensors
OS Condensers
Magnetrons
Electronic Components

Sales of information systems and electronic devices declined 3.3%, to ¥538,893 million (US$4,491 million), or 29.6% of consolidated net sales.

In the domestic market, Sanyo recorded steady growth in sales of information devices, but sales of semiconductors declined. As a result, domestic sales of information systems and electronic devices accounted for 29.5% of total domestic sales.

In overseas markets, although Sanyo achieved favorable growth in sales of electronic components, sales of information devices and semiconductors declined. By geographic region, Sanyo achieved robust growth in sales of electronic components, information devices, and semiconductors in Europe. Sanyo also recorded a large increase in sales of electronic components in Asia. Due to the preceding factors, overseas sales of information systems and electronic devices made up 29.8% of total overseas sales.

BATTERIES AND OTHER PRODUCTS



(billion ¥)

Nickel-Cadmium Rechargeable Batteries
Nickel-Metal Hydride Rechargeable Batteries
Lithium-Ion Rechargeable Batteries
Lithium Batteries
Alkaline-Manganese Batteries
Solar Cells
Solar Cell Power Systems
Compressors for Freezer/Refrigerators and Air Conditioners

Sales of batteries and other products declined 3.4%, to ¥290,944 million (US$2,425 million), or 16.0% of consolidated net sales.

In Japan, although sales of batteries decreased, Sanyo recorded higher sales of compressors for freezer/refrigerators and air conditioners. Domestic sales of batteries and other products thus accounted for 11.9% of total domestic sales.

Overseas, Sanyo achieved increases in sales of batteries and compressors. By geographic region, sales of batteries and compressors advanced in Europe and North America. However, sales of these products in Asia were sluggish. Therefore, overseas sales of batteries and other products constituted 20.6% of total overseas sales.

SELECTED FINANCIAL DATA

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1999, 1998 and 1997, four-month period ended March 31, 1996 and year ended November 30, 1995

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	1999	1998	1997	1996 (Note d)	1995	**1999**
For the year or period:						
Net sales	**¥1,818,153**	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	**$15,151,275**
Operating income	**31,768**	62,352	61,309	13,501	59,384	**264,734**
(Loss) income before income taxes and equity in earnings (losses)	**(14,780)**	38,267	41,486	3,485	41,193	**(123,166)**
Net (loss) income	**(25,883)**	12,320	17,674	(3,738)	15,551	**(215,691)**
Capital expenditures	**88,811**	133,103	119,273	34,962	118,191	**740,092**
Depreciation and amortization	**102,952**	101,091	99,969	30,118	79,757	**857,933**
At the year- or period-end:						
Total stockholders' equity	**¥ 695,615**	¥ 750,572	¥ 775,805	¥ 809,628	¥ 803,094	**$ 5,796,792**
Total assets	**2,662,525**	2,641,894	2,518,056	2,462,342	2,411,491	**22,187,708**
Per share:						
(yen and U.S. dollars) (Note b):						
Net (loss) income:						
Basic	**¥ (13.5)**	¥ 6.3	¥ 9.1	¥ (1.9)	¥ 8.0	**$ (0.113)**
Diluted	**(13.5)**	6.3	9.0	(1.9)	8.0	**(0.113)**
Cash dividends declared	**5.0**	5.0	5.0	1.7	5.0	**0.042**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes b and c):						
Net (loss) income:						
Basic	**¥ (67.5)**	¥ 31.5	¥ 45.5	¥ (9.5)	¥ 40.0	**$ (0.563)**
Diluted	**(67.5)**	31.5	45.0	(9.5)	40.0	**(0.563)**
Cash dividends declared	**25.0**	25.0	25.0	8.5	25.0	**0.208**
Weighted average number of shares (thousands) (Note b)	**1,920,197**	1,951,099	1,951,062	1,950,926	1,950,286	
Sales by product category:						
Video equipment	**¥ 285,391**	¥ 272,073	¥ 257,326	¥ 71,804	¥ 232,456	**$ 2,378,259**
Audio equipment	**159,100**	162,626	155,791	39,183	166,237	**1,325,833**
Home appliances	**274,099**	283,344	346,380	95,212	342,292	**2,284,158**
Industrial and commercial equipment	**269,726**	289,656	289,997	86,085	277,725	**2,247,717**
Information systems and electronic devices	**538,893**	557,408	497,780	155,260	484,635	**4,490,775**
Batteries and other products	**290,944**	301,319	245,730	65,812	203,755	**2,424,533**
Net sales	**¥1,818,153**	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	**$15,151,275**
Sales by area:						
Japan	**¥ 956,538**	¥ 991,726	¥1,003,665	¥ 305,069	¥ 977,985	**$ 7,971,150**
Asia	**368,498**	379,638	344,301	90,356	299,566	**3,070,817**
North America	**307,949**	298,305	258,334	66,175	247,961	**2,566,242**
Europe	**146,272**	142,731	122,644	37,338	128,326	**1,218,933**
Others	**38,896**	54,026	64,060	14,418	53,262	**324,133**
Net sales	**¥1,818,153**	¥1,866,426	¥1,793,004	¥ 513,356	¥1,707,100	**$15,151,275**
Other information:						
Price range of common stock (Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 434**	¥ 535	¥ 680	¥ 672	¥ 587	**$ 3.62**
Low	**297**	290	404	536	395	**2.48**
Number of employees (at the year- or period-end)	**77,071**	67,887	67,827	56,612	57,120	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 1999. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.
(d) Effective December 1, 1995, SANYO Electric Co., Ltd. and its major subsidiaries changed fiscal year-ends from November 30 to March 31. Accordingly, fiscal 1996 includes only 4 months of operations whereas the other fiscal periods consist of 12 months.

In this financial review, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries unless otherwise specified.

Overview

In the fiscal year ended March 31, 1999, the slump in the domestic economy continued as Japan experienced its worst-ever post-World War II economic downturn. Exceedingly severe conditions prevailed in the electronics industry due to weak prices for semiconductors and lackluster markets for household electronic goods, particularly air conditioners.

• Amid this environment, Sanyo focused on management that emphasizes its core competencies, mainly in multimedia and clean-energy fields. Regarding new products and technologies, Sanyo worked to develop new products that customers readily associate with the Sanyo name while aggressively developing and promoting the use of environment-friendly products.

• Consolidated net sales declined 2.6%, to ¥1,818.2 billion (US$15,151 million), mainly due to declines in sales in all product groups with the exception of the video equipment group. Also causing the decrease in net sales was the appreciation of the yen in the second half of the fiscal year. The primary factors leading to a net loss of ¥25.9 billion (US$216 million) were one-time charges recorded by a domestic subsidiary for devaluation and disposal of investments and bad debts, and the net increase in deferred tax charges to revalue deferred tax assets and liabilities by using the lower tax rate as a result of the Japanese Tax Reform Act enacted in March 1999 as well as the decline in net sales described above.

• From the perspective of maintaining stable dividends, the Company paid cash dividends, including interim dividends, of ¥5.0 (US$0.042) per share and ¥25.0 (US$0.208) per one American Depositary Share (ADS).

Net Sales and Operating Revenue

During the period under review, net sales amounted to ¥1,818.2 billion (US$15,151 million), a 2.6%, or ¥48.3 billion, decline from the previous fiscal period. As mentioned previously, this decrease was mainly due to declines in sales in all product groups with the exception of the video equipment group.

• By product category, video equipment sales were up 4.9%, or ¥13.3 billion, to ¥285.4 billion (US$2,378 million), as growth in overseas sales of LCD projectors and domestic sales of digital cameras compensated for declines in sales of color TVs and VCRs. Despite robust sales of CD pickups in the domestic market, sales of audio equipment declined 2.2%, or ¥3.5 billion, to ¥159.1 billion (US$1,326 million), due to slumping overseas sales of such products as automotive stereo components. Sales of home appliances were down 3.3%, or ¥9.2 billion, to ¥274.1 billion (US$2,284 million), owing primarily to slumping domestic and overseas sales of air conditioners resulting from the effects of irregular weather conditions. Within this product group, domestic and overseas sales of refrigerators were brisk, but performances of other products, including kitchen and other appliances, were generally weak. Sales of industrial and commercial equipment declined 6.9%, or ¥19.9 billion, to ¥269.7 billion (US$2,248 million), due to soft sales of almost all products in the domestic market, beginning with refrigerator supermarket showcases. The decline in sales in this product group, along with a decrease in sales of semiconductors in information systems and electronic devices, were the principal reasons underlying the decline in Sanyo's net sales during the fiscal year. Sales in information systems and electronic devices—Sanyo's largest product group—declined 3.3%, or ¥18.5 billion, to ¥538.9 billion (US$4,491 million), mainly due to sluggish sales in semiconductors accompanying a worldwide drop in demand. By type of product, sales of semiconductors fell 8.3%, or ¥21.1 billion, because of slumping sales in Japan and overseas. Sales of information devices were down 3.0%, or ¥6.2 billion, reflecting sluggish overseas sales. Among information devices, domestic sales were firm due to a higher demand for digital cellular phones. Sales of electronic components also advanced, rising 9.4%, or ¥8.2 billion, thanks to an expansion in overseas sales. Batteries and other product sales declined 3.4%, or ¥10.4 billion, to ¥290.9 billion (US$2,425 million).

• Operating revenue advanced 10.4%, or ¥6.0 billion, to ¥64.3 billion (US$536 million), due primarily to favorable revenues from financing.

• By geographic segment, despite higher exports to Europe as well as growth in operating revenue in its domestic credit businesses, external net sales and operating revenue generated in Japan declined 5.3%, or ¥77.3 billion, to ¥1,381.5 billion (US$11,513 million), due to lower sales in Japan. In Asian countries outside Japan, external net sales and operating revenue increased 5.9%, or ¥13.2 billion, to ¥236.2 billion (US$1,968 million). Sales and operating revenue in other regions rose 9.0%, or ¥21.8 billion, to ¥264.7 billion (US$2,206 million), owing to robust sales in the United States and Europe.

Costs, Expenses, and Earnings

Cost of sales declined 0.1%, or ¥1.6 billion, to ¥1,509.1 billion (US$12,576 million), lower than the 2.6% decline in net sales. As a result, the cost of sales ratio rose 2.0 percentage points, to 83.0%, from 81.0% in the preceding fiscal year. This mainly reflected an overall fall in product prices.

• On the other hand, thanks to Companywide efforts to reduce expenses in various expense categories, selling, general and administrative (SG&A) expenses declined 2.9%, or ¥10.1 billion, to ¥341.5 billion (US$2,846 million), which exceeded the rate of decrease in consolidated net sales and operating revenue. Therefore, SG&A expenses as a percentage of net sales and operating revenue edged down 0.2 percentage point, to 18.1%, from 18.3% in the previous fiscal year.

• R&D expenses, which are included in SG&A expenses, declined 1.0%, or ¥0.9 billion, to ¥93.7 billion (US$781 million). These expenditures were primarily for the development of digital technologies and products in multimedia and clean-energy fields. R&D expenses as a percentage of net sales amounted to 5.2%, up from 5.1% in the previous fiscal year.

• Due to a decline in gross profits resulting from the previously mentioned decrease in net sales and operating revenue, operating income plummeted 49.1%, or ¥30.6 billion, to ¥31.8 billion (US$265 million). Operating income as a percentage of net sales and operating revenue thus declined 1.5 percentage points, to 1.7%, from 3.2% in the previous fiscal year.

• Other expenses, net, rose ¥22.5 billion, to ¥46.5 billion (US$388 million). This was due mainly to one-time charges of ¥19.6 billion (US$163 million) recorded by a domestic subsidiary for devaluation and disposal of investments and bad debts.

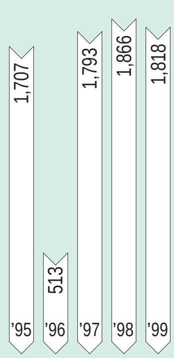
• Reflecting the preceding factors, (loss) income before income taxes and equity in earnings (losses) amounted to a loss of ¥14.8 billion (US$123 million), a difference of ¥53.0 billion from income of ¥38.3 billion in the previous fiscal year. Despite this loss, income taxes amounted to ¥11.5 billion (US$95 million) due partially to a net increase in deferred income tax charges arising from the revaluation of deferred tax assets and liabilities based on the United States' Generally Accepted Accounting Principles that accompanied a tax rate decline due to the enactment of the Japanese Tax Reform Act.

• As a result of these factors, Sanyo posted a net loss of ¥25.9 billion (US$216 million), a difference of ¥38.2 billion from net income recorded in the previous fiscal year. Basic net loss and diluted net loss per share were ¥13.5 (US$0.113). Basic net loss and diluted net loss per one ADS (five shares) were ¥67.5 (US$0.563).

Financial Condition

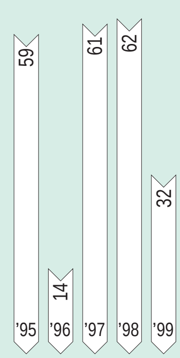
From the perspective of efficiently employing capital amid the current harsh business environment, Sanyo made its utmost efforts to restrain increases in assets while emphasizing the efficient use of management resources. As a result, growth in total assets at fiscal year-end was held to 0.8%, or ¥20.6 billion, to ¥2,662.5 billion (US$22,188 million).

NET SALES



(billion ¥)

OPERATING INCOME



(billion ¥)

Note: Fiscal 1996 was only a four-month period.

• Total current assets rose ¥16.0 billion, to ¥1,568.1 billion (US$13,068 million). Positive factors underlying this increase included a ¥34.7 billion increase in short-term investments due to the purchase of marketable securities and a recovery in stock prices; a ¥12.6 billion rise in finance receivables due to growth in the credit business; and a ¥10.7 billion increase in prepaid expenses and other. On the other hand, categories showing declines included a ¥28.5 billion decrease in cash and cash equivalents, primarily time deposits, due to the payment of funds needed for facilities. Notes and accounts receivable were down ¥10.1 billion along with the decline in net sales.

• Investments and advances declined ¥5.2 billion, to ¥194.2 billion (US$1,618 million), due primarily to the devaluation and disposal of investments and bad debts.

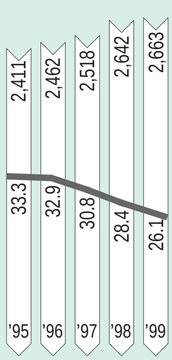
• In property, plant and equipment, Sanyo invested a total of ¥88.8 billion (US$740 million), primarily to strengthen and streamline digital-related areas and clean-energy fields. This amount was ¥44.3 billion less than invested in the previous fiscal year.

• On the other hand, total liabilities rose 4.1%, or ¥75.8 billion, to ¥1,944.0 billion (US$16,200 million). Total short- and long-term interest-bearing debt increased ¥100.2 billion, to ¥1,207.0 billion (US$10,058 million). Of this amount, short-term borrowings declined ¥41.4 billion, to ¥487.3 billion (US$4,061 million), as a result of repayments, including the repayment of commercial paper. On the other hand, after procurements and repayments, long-term debt, including the portion of long-term debt due within one year, increased ¥141.6 billion, to ¥719.7 billion (US$5,998 million), due primarily to a ¥99.4 billion increase in long-term loans used for facilities and financing and ¥71.8 billion from the issue of nine new uncollateralized bonds, partially offset by ¥29.6 billion for regularly scheduled redemptions. Liabilities, excluding short-term borrowings and long-term debt, declined ¥24.5 billion, to ¥737.0 billion (US$6,141 million), due mainly to a ¥27.0 billion decline in notes and accounts payable for construction as a result of the higher level of capital investment in the previous fiscal year.

• As a result of the preceding factors, working capital rose ¥83.2 billion, to ¥356.6 billion (US$2,972 million). The current ratio edged up to 1.29, from 1.21 at the previous fiscal year-end.

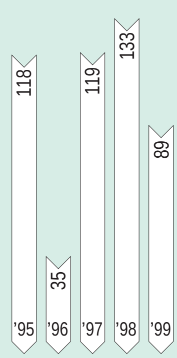
• Total stockholders' equity decreased ¥55.0 billion, to ¥695.6 billion (US$5,797 million). The main factors underlying the decline in stockholders' equity were a ¥17.2 billion decrease in additional paid-in capital resulting from the cancellation of treasury stock purchased from the stock market; a ¥36.5 billion decline in retained earnings accompanying the decrease in sales and operating revenue; and a ¥2.3 billion increase in accumulated other comprehensive loss. As a result of these factors, the stockholders' equity ratio slipped 2.3 percentage points, to 26.1%, from 28.4% at the previous fiscal year-end.

TOTAL ASSETS AND EQUITY RATIO



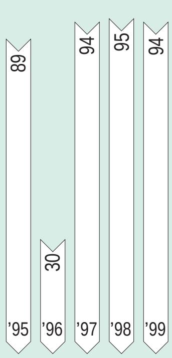
(billion ¥, %)

CAPITAL EXPENDITURES



(billion ¥)

R&D EXPENSES



(billion ¥)

Cash Flows

Cash and cash equivalents at the end of the fiscal period amounted to ¥312.7 billion (US$2,606 million). This figure is equivalent to approximately 2.0 times average monthly sales of ¥156.9 billion, and Sanyo maintains sufficient liquidity to carry out its business operations. When considering the ¥256.9 billion (US$2,141 million) in short-term investments, Sanyo believes this is an adequate level.

• Net cash provided by operating activities increased ¥42.1 billion from the previous fiscal year, to ¥67.7 billion (US$564 million), due primarily to the increase in cash inflows resulting from accelerated collection of trade receivables, a decrease in inventories and a lower increase in other assets, partially offset by the increase in cash outflows resulting from the net loss and increased cash payments of trade payables.

• Net cash used in investing activities increased ¥6.3 billion from the previous fiscal year, to ¥131.4 billion (US$1,095 million). This consisted primarily of such expenditures as ¥116.1 billion (US$967 million) in payments for purchases of property, plant and equipment, which on a payment basis declined ¥3.3 billion. On the other hand, there was a ¥9.7 billion decrease in proceeds from sales of investments and collection of advances.

• The negative free cash flows of ¥63.8 billion were covered by net cash provided by financing activities and drawing down a portion of cash and cash equivalents. Net cash provided by financing activities after the procurement and repayment of short- and long-term interest-bearing debt declined ¥73.1 billion from the previous fiscal year, to ¥28.5 billion (US$237 million). This reflected ¥251.8 billion (US$2,098 million) in new borrowings procured through long-term debt and the issue of corporate bonds and ¥196.4 billion in repayments of interest-bearing debt. In addition, other outflows included ¥17.2 billion (US$144 million) for the repurchase of common stock and ¥9.7 billion (US$81 million) for dividends paid to stockholders.

Outlook and the Y2K Issue

The difficult operating environment is expected to continue in fiscal 2000 due to the weak recovery in the Japanese economy and concerns about the direction of the world economy. Under these conditions, Sanyo aims to establish a foundation for high profits and to build a management system that will enable prompt responses to the needs of the 21st century while carrying out its businesses in fields that are expected to grow rapidly, thereby providing customer satisfaction and achieving an improvement in performance. On a consolidated basis, Sanyo expects to record net sales of ¥1,850 billion and anticipates it will record a net profit.

• The Company recognizes the year 2000 (Y2K) issue as one of the most important focuses for management in order to maintain business continuity and to prevent any consequential problems in customers' use of Sanyo's products.

• In October 1998, the Company formed the Y2K readiness project to coordinate the Y2K compliance/remediation efforts, which had been so far done individually by each of the Company's divisions, and its subsidiaries and affiliates, on a Sanyo groupwide basis. Sanyo is currently in the process of implementing the findings of the Y2K readiness project with the objective of having all of their significant computer systems and other production equipment that affect Sanyo's business operations, as well as Sanyo's products, functioning properly with respect to the Y2K issue before January 1, 2000. Sanyo is also taking other appropriate measures to minimize any potential disruption to their business operations due to the Y2K issue.

• Sanyo has already completed its investigation of its products for their Y2K readiness. As a result, Sanyo has determined that many of its products are not affected by the Y2K issue or, if affected, those products are Y2K compliant. Sanyo has substantially completed its investigation of its internal computer systems and other production equipment for their Y2K readiness and will complete remedial action and equipment replacement by September 1999. In addition, as part of the Y2K readiness project, major material suppliers that are considered to be critical to business operation after January 1, 2000, have been identified and steps have been undertaken since November 1998 to reasonably ascertain their stage of Y2K readiness through questionnaires and other available means.

• Although it is difficult to accurately quantify the costs spent specifically on the Y2K compliance/remediation efforts, as such efforts have been undertaken by internal personnel primarily as an ordinary improvement of internal business systems, Sanyo does not expect that such costs have had or will have a material effect on its financial position, operating results, and cash flows.

• Concurrently with the Y2K readiness measures described above, Sanyo is developing contingency plans intended to mitigate the possible disruption to business operations that may result from any unexpected events. The contingency plans will be completed by the end of September 1999.

• Sanyo will make efforts to minimize the effect of the Y2K issue, but is not in a position to assure that it will achieve the above target due to uncertainties that it is currently unable to foresee.

Business Segment (Unaudited)

	1999						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	External	Intersegment	Total				
Consumer Electronics	**¥ 820.0**	**¥ 6.5**	**¥ 826.5**	**¥ 4.1**	**¥1,049.4**	**¥ 26.0**	**¥26.6**
Information/Communication & Industrial/Commercial	**1062.4**	**20.8**	**1,083.2**	**27.7**	**1,213.7**	**76.8**	**62.2**
Sub-total	**1,882.4**	**27.3**	**1,909.7**	**31.8**	**2,263.1**	**102.8**	**88.8**
Corporate Assets and Eliminations	**—**	**(27.3)**	**(27.3)**	**—**	**399.4**	**0.2**	**—**
Total	**¥1,882.4**	**¥ —**	**¥1,882.4**	**¥31.8**	**¥2,662.5**	**¥103.0**	**¥88.8**
	Millions of U.S. Dollars						
Consumer Electronics	**$ 6,833**	**$ 54**	**$ 6,887**	**$ 34**	**$ 8,745**	**$217**	**$222**
Information/Communication & Industrial/Commercial	**8,854**	**173**	**9,027**	**231**	**10,114**	**640**	**518**
Sub-total	**15,687**	**227**	**15,914**	**265**	**18,859**	**857**	**740**
Corporate Assets and Eliminations	**—**	**(227)**	**(227)**	**—**	**3,329**	**1**	**—**
Total	**$15,687**	**$ —**	**$15,687**	**$265**	**$22,188**	**$858**	**$740**

	1998						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	External	Intersegment	Total				
Consumer Electronics	¥ 789.2	¥ 6.7	¥ 795.9	¥10.3	¥1,032.0	¥ 27.5	¥ 29.4
Information/Communication & Industrial/Commercial	1,135.5	24.9	1,160.4	52.1	1,182.3	73.2	103.7
Sub-total	1,924.7	31.6	1,956.3	62.4	2,214.3	100.7	133.1
Corporate Assets and Eliminations	—	(31.6)	(31.6)	—	427.6	0.4	—
Total	¥1,924.7	¥ —	¥1,924.7	¥62.4	¥2,641.9	¥101.1	¥133.1

Geographic Segment (Unaudited)

	1999				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	**¥1,381.5**	**¥252.6**	**¥1,634.1**	**¥17.7**	**¥1,919.8**
Asia	**236.2**	**173.9**	**410.1**	**8.5**	**177.4**
Other	**264.7**	**7.3**	**272.0**	**5.6**	**181.4**
Sub-total	**1,882.4**	**433.8**	**2,316.2**	**31.8**	**2,278.6**
Corporate Assets and Eliminations	**—**	**(433.8)**	**(433.8)**	**—**	**383.9**
Total	**¥1,882.4**	**¥ —**	**¥1,882.4**	**¥31.8**	**¥2,662.5**
	Millions of U.S. Dollars				
Japan	**$11,513**	**$2,104**	**$13,617**	**$147**	**$15,999**
Asia	**1,968**	**1,450**	**3,418**	**71**	**1,478**
Other	**2,206**	**61**	**2,267**	**47**	**1,512**
Sub-total	**15,687**	**3,615**	**19,302**	**265**	**18,989**
Corporate Assets and Eliminations	**—**	**(3,615)**	**(3,615)**	**—**	**3,199**
Total	**$15,687**	**$ —**	**$15,687**	**$265**	**$22,188**

	1998				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,458.8	¥ 259.2	¥1,718.0	¥44.7	¥1,918.0
Asia	223.0	264.5	487.5	14.1	177.5
Other	242.9	13.7	256.6	3.6	148.0
Sub-total	1,924.7	537.4	2,462.1	62.4	2,243.5
Corporate Assets and Eliminations	—	(537.4)	(537.4)	—	398.4
Total	¥1,924.7	¥ —	¥1,924.7	¥62.4	¥2,641.9

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 1999.

CONSOLIDATED STATEMENTS OF INCOME

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1999, 1998 and 1997

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	1999	1998	1997	**1999**
Sales and operating revenue:				
Net sales (Note 5)	**¥1,818,153**	¥1,866,426	¥1,793,004	**$15,151,275**
Operating revenue	**64,286**	58,249	53,225	**535,717**
	1,882,439	1,924,675	1,846,229	**15,686,992**
Costs and expenses (Note 13):				
Cost of sales (Note 5)	**1,509,130**	1,510,709	1,439,504	**12,576,083**
Selling, general and administrative	**341,541**	351,614	345,416	**2,846,175**
	1,850,671	1,862,323	1,784,920	**15,422,258**
Operating income	**31,768**	62,352	61,309	**264,734**
Other income:				
Interest and dividends	**12,228**	12,583	11,999	**101,900**
Foreign currency transaction gains, net	**—**	—	2,011	**—**
Gain on public stock issuance by subsidiary (Note 14)	**—**	—	1,248	**—**
Other (Note 6)	**17,775**	22,285	17,124	**148,125**
	30,003	34,868	32,382	**250,025**
Other expenses:				
Interest	**31,279**	33,001	31,765	**260,658**
Foreign currency transaction losses, net	**3,993**	5,482	—	**33,275**
Devaluation and disposal of investments and bad debts	**19,573**	—	—	**163,108**
Other	**21,706**	20,470	20,440	**180,884**
	76,551	58,953	52,205	**637,925**
(Loss) income before income taxes and equity in earnings (losses)	**(14,780)**	38,267	41,486	**(123,166)**
Income taxes (Note 12):				
Current	**9,321**	26,061	27,694	**77,675**
Deferred	**2,130**	(1,158)	(1,942)	**17,750**
	11,451	24,903	25,752	**95,425**
(Loss) income before equity in earnings (losses)	**(26,231)**	13,364	15,734	**(218,591)**
Equity in earnings (losses) of affiliates and unconsolidated subsidiaries (Note 5)	**348**	(1,044)	1,940	**2,900**
Net (loss) income	**¥ (25,883)**	¥ 12,320	¥ 17,674	**$ (215,691)**

	Yen			U.S. Dollars (Note 2)
Per share:				
Net (loss) income (Note 15):				
Basic	**¥ (13.5)**	¥ 6.3	¥ 9.1	**$ (0.113)**
Diluted	**(13.5)**	6.3	9.0	**(0.113)**
Cash dividends declared	**5.0**	5.0	5.0	**0.042**
Per American Depositary Share:				
Net (loss) income:				
Basic	**¥ (67.5)**	¥ 31.5	¥ 45.5	**$ (0.563)**
Diluted	**(67.5)**	31.5	45.0	**(0.563)**
Cash dividends declared	**25.0**	25.0	25.0	**0.208**
Weighted average number of shares (thousands)	**1,920,197**	1,951,099	1,951,062	

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 1999 and 1998

ASSETS	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars (Note 2) 1999
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 60,856**	¥ 56,725	**$ 507,133**
Time deposits	**251,856**	284,487	**2,098,800**
	312,712	341,212	**2,605,933**
Short-term investments (Notes 6 and 10)	**256,924**	222,180	**2,141,033**
Receivables:			
Notes and accounts	**358,577**	368,655	**2,988,142**
Finance receivables (Note 3)	**150,270**	137,711	**1,252,250**
Affiliates and unconsolidated subsidiaries	**36,379**	37,087	**303,158**
Allowance for doubtful accounts	**(13,907)**	(12,716)	**(115,892)**
Inventories (Note 4)	**416,755**	417,067	**3,472,958**
Deferred income taxes (Note 12)	**—**	1,210	**—**
Prepaid expenses and other	**50,393**	39,708	**419,943**
Total current assets	**1,568,103**	1,552,114	**13,067,525**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**20,211**	22,408	**168,425**
Other (Notes 6 and 10)	**173,970**	176,994	**1,449,750**
	194,181	199,402	**1,618,175**
Property, plant and equipment:			
Buildings	**438,763**	422,432	**3,656,359**
Machinery and equipment	**969,397**	902,616	**8,078,308**
	1,408,160	1,325,048	**11,734,667**
Accumulated depreciation	**(931,098)**	(851,998)	**(7,759,150)**
	477,062	473,050	**3,975,517**
Land	**148,520**	142,391	**1,237,667**
Construction in progress	**34,624**	38,284	**288,533**
	660,206	653,725	**5,501,717**
Deferred income taxes (Note 12)	**31,438**	32,409	**261,983**
Other assets	**208,597**	204,244	**1,738,308**
	¥2,662,525	¥2,641,894	**$22,187,708**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 1999	1998	Thousands of U.S. Dollars (Note 2) 1999
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 487,290**	¥ 528,662	**$ 4,060,750**
Current portion of long-term debt (Note 7)	**115,582**	121,481	**963,183**
Notes and accounts payable:			
Trade	**331,124**	333,901	**2,759,367**
Affiliates and unconsolidated subsidiaries	**15,504**	17,494	**129,200**
Construction	**25,195**	52,193	**209,958**
Accrued income taxes	**5,891**	14,016	**49,092**
Deferred income taxes (Note 12)	**8,195**	—	**68,292**
Employees' savings deposits	**30,447**	30,866	**253,725**
Other, including dividends payable and accrued expenses	**192,244**	180,042	**1,602,033**
Total current liabilities	**1,211,472**	1,278,655	**10,095,600**
Long-term debt (Notes 7 and 10)	**604,126**	456,636	**5,034,383**
Accrued pension and severance costs (Note 8)	**128,356**	132,899	**1,069,633**
Total liabilities	**1,943,954**	1,868,190	**16,199,616**
Minority interests in consolidated subsidiaries	**22,956**	23,132	**191,300**
Commitments and contingent liabilities (Note 9)			
Stockholders' equity:			
Common stock, ¥50 ($0.42) par value:			
Authorized:			
March 31, 1999—4,953,125 thousand shares			
March 31, 1998—5,000,000 thousand shares			
Issued (Note 11):			
March 31, 1999—1,904,256 thousand shares	**172,238**	—	**1,435,317**
March 31, 1998—1,951,131 thousand shares	**—**	172,238	**—**
Additional paid-in capital (Note 11)	**351,129**	368,361	**2,926,075**
Legal reserve (Note 11)	**31,954**	30,876	**266,283**
Retained earnings	**143,961**	180,487	**1,199,675**
Accumulated other comprehensive loss	**(3,641)**	(1,367)	**(30,342)**
	695,641	750,595	**5,797,008**
Less, treasury stock at cost:			
1999—35,863 shares	**(26)**	—	**(216)**
1998—29,213 shares	**—**	(23)	**—**
Total stockholders' equity	**695,615**	750,572	**5,796,792**
	¥2,662,525	¥2,641,894	**$22,187,708**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1999, 1998 and 1997

	Millions of Yen								
					Accumulated Other Comprehensive Income (Loss)				
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealized Holding Gains (Losses) on Securities	Foreign Currency Transaction Adjustments	Minimum Pension Liability Adjustments	Total	Total Comprehensive Income (Loss)
Balance, March 31, 1996 (1,950,966)	¥172,189	¥368,312	¥28,641	¥172,179	¥91,824	¥(23,488)	¥ —	¥68,336	
Comprehensive income:									
Net income				17,674					¥ 17,674
Other comprehensive income:									
Net unrealized holding losses on securities (net of tax of ¥50,921 million) (Note 6)					(48,453)			(48,453)	(48,453)
Foreign currency translation adjustments						6,542		6,542	6,542
Total									¥(24,237)
Cash dividends				(9,688)					
Appropriation for legal reserve			1,078	(1,078)					
Conversion of convertible debt (165)	49	49							
Balance, March 31, 1997 (1,951,131)	172,238	368,361	29,719	179,087	43,371	(16,946)	—	26,425	
Comprehensive income:									
Net income				12,320					¥ 12,320
Other comprehensive income:									
Net unrealized holding losses on securities (net of tax of ¥25,242 million) (Note 6)					(22,472)			(22,472)	(22,472)
Foreign currency translation adjustments						1,762		1,762	1,762
Minimum pension liability adjustments (net of tax of ¥6,538 million)							(7,082)	(7,082)	(7,082)
Total									¥(15,472)
Cash dividends				(9,763)					
Appropriation for legal reserve			1,157	(1,157)					
Balance, March 31, 1998 (1,951,131)	**172,238**	**368,361**	**30,876**	**180,487**	**20,899**	**(15,184)**	**(7,082)**	**(1,367)**	
Comprehensive income:									
Net loss				**(25,883)**					**¥(25,883)**
Other comprehensive income:									
Net unrealized holding gains on securities (net of tax of ¥3,185 million) (Note 6)					**3,263**			**3,263**	**3,263**
Reclassification adjustments for net losses realized in net loss (net of tax of ¥2,048 million)					**2,210**			**2,210**	**2,210**
Foreign currency translation adjustments						**(11,663)**		**(11,663)**	**(11,663)**
Minimum pension liability adjustments (net of tax of ¥3,981 million)							**3,916**	**3,916**	**3,916**
Total									**¥(28,157)**
Cash dividends				**(9,565)**					
Common stock repurchased and cancelled (46,875)		**(17,232)**							
Appropriation for legal reserve			**1,078**	**(1,078)**					
Balance, March 31, 1999 (1,904,256)	**¥172,238**	**¥351,129**	**¥31,954**	**¥143,961**	**¥26,372**	**¥(26,847)**	**¥(3,166)**	**¥ (3,641)**	
	Thousands of U.S. Dollars (Note 2)								
Balance, March 31, 1998 (1,951,131)	**$1,435,317**	**$3,069,675**	**$257,300**	**$1,504,057**	**$174,158**	**$(126,533)**	**$(59,016)**	**$(11,391)**	
Comprehensive income:									
Net loss				**(215,691)**					**$(215,691)**
Other comprehensive income:									
Net unrealized holding gains on securities (net of tax of $26,542 thousand) (Note 6)					**27,191**			**27,191**	**27,191**
Reclassification adjustments for net losses realized in net loss (net of tax of $17,067 thousand)					**18,417**			**18,417**	**18,417**
Foreign currency translation adjustments						**(97,192)**		**(97,192)**	**(97,192)**
Minimum pension liability adjustments (net of tax of $33,175 thousand)							**32,633**	**32,633**	**32,633**
Total									**$(234,642)**
Cash dividends				**(79,708)**					
Common stock repurchased and cancelled (46,875)		**(143,600)**							
Appropriation for legal reserve			**8,983**	**(8,983)**					
Balance, March 31, 1999 (1,904,256)	**$1,435,317**	**$2,926,075**	**$266,283**	**$1,199,675**	**$219,766**	**$(223,725)**	**$(26,383)**	**$(30,342)**	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 1999, 1998 and 1997

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	1999	1998	1997	1999
Cash flows from operating activities:				
Net (loss) income	¥ (25,883)	¥ 12,320	¥ 17,674	$ (215,691)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	102,952	101,091	99,969	857,933
Gain on sales of marketable securities and investment securities	(4,217)	(5,209)	(7,408)	(35,142)
Loss on disposal of property, plant and equipment	5,275	1,783	3,846	43,958
Devaluation and disposal of investments and bad debts	19,573	—	—	163,108
Provision for income taxes—deferred	2,130	(1,158)	(1,942)	17,750
Gain on public stock issuance by subsidiary	—	—	(1,248)	—
Equity in (earnings) losses of affiliates and unconsolidated subsidiaries	(348)	1,044	(1,940)	(2,900)
Change in assets and liabilities, net of effects from newly consolidated subsidiaries in 1999 and 1997:				
Increase in receivables	(1,795)	(38,040)	(14,005)	(14,958)
Decrease (increase) in inventories	20,330	(25,966)	(13,429)	169,417
Increase in prepaid expenses and other	(10,751)	(960)	(2,348)	(89,592)
Increase in other assets	(15,195)	(45,306)	(29,737)	(126,625)
(Decrease) increase in notes and accounts payable	(14,808)	13,158	3,877	(123,400)
(Decrease) increase in accrued income taxes	(8,724)	(2,295)	5,701	(72,700)
Increase in other current liabilities	1,604	1,802	1,664	13,367
Other, net	(2,476)	13,308	3,563	(20,633)
Total adjustments	93,550	13,252	46,563	779,583
Net cash provided by operating activities	67,667	25,572	64,237	563,892
Cash flows from investing activities:				
(Increase) decrease in short-term investments	(7,298)	(8,286)	5,598	(60,817)
Proceeds from sales of investments and collection of advances	10,438	20,142	22,766	86,983
Proceeds from sales of property, plant and equipment	4,481	7,185	7,652	37,342
Payments for purchases of investments and advances	(22,971)	(24,311)	(34,003)	(191,425)
Payments for purchases of property, plant and equipment	(116,075)	(119,340)	(137,435)	(967,292)
Other, net	(4)	(518)	805	(33)
Net cash used in investing activities	(131,429)	(125,128)	(134,617)	(1,095,242)
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	(65,569)	51,381	(14,524)	(546,408)
Proceeds from issuance of long-term debt	251,778	180,913	153,579	2,098,150
Repayments of long-term debt	(130,826)	(120,934)	(108,241)	(1,090,217)
Dividends paid	(9,681)	(9,756)	(8,194)	(80,675)
Repurchases of common stock	(17,232)	—	—	(143,600)
Other, net	(3)	2	3	(25)
Net cash provided by financing activities	28,467	101,606	22,623	237,225
Effect of exchange rate changes on cash and cash equivalents	(2,911)	(57)	3,840	(24,258)
Net (decrease) increase in cash and cash equivalents	(38,206)	1,993	(43,917)	(318,383)
Cash and cash equivalents of newly consolidated subsidiaries	9,706	—	6,803	80,883
Cash and cash equivalents at beginning	341,212	339,219	376,333	2,843,433
Cash and cash equivalents at end	¥312,712	¥341,212	¥339,219	$2,605,933

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

SANYO Electric Co., Ltd. (the Company) and its subsidiaries (collectively, the Sanyo Group) are engaged in development, manufacture and sales in various locations around the world. The Sanyo Group's principal lines of business are the "Consumer Electronics" segment, including video equipment, audio equipment and home appliances, and the "Information/Communication & Industrial/Commercial" segment, including industrial and commercial equipment, information systems and electronic devices and batteries and other products. Fiscal 1999 net sales were comprised of video equipment (16%), audio equipment (9%), home appliances (15%), industrial and commercial equipment (15%), information systems and electronic devices (29%) and batteries and other products (16%). The principal markets are Japan, Asia, North America, Europe and others with sales in each area representing 53%, 20%, 17%, 8% and 2%, respectively, of net sales for the year ended March 31, 1999. The Sanyo Group has subsidiaries in each market area, which offer services, such as consumer credits, leases, after-sales service, maintenance, logistics and others. Manufacturing facilities are located in more than 20 countries, principally Asian areas, such as Japan and China, as well as North America and Europe.

Accounting Principles

The accounting records of the domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect adjustments necessary for a presentation in terms of generally accepted accounting principles as defined in the United States of America. Such adjustments consist primarily of accruing pension and severance costs, translating foreign currencies as discussed below, valuing marketable securities at fair value, deferring bond issue expenses and effecting deferred tax accounting for temporary differences between financial and tax reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries (Sanyo as a consolidated group). All significant intercompany transactions and accounts have been eliminated. Minority interests in net income (loss) of consolidated subsidiaries are included in other expenses.

Investments in 20%-to-50% held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at exchange rates in effect at the respective balance sheet dates, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of the foreign consolidated subsidiaries and foreign affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet dates. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market. Cost for finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposition, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Installment Sales

Income from installment sales is recognized in full at the time of shipment.

Advertising Costs

Advertising costs are generally expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at fiscal period-end. Deferred tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Comprehensive Income

For the year ended March 31, 1999, Sanyo has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income, which consists of net income or losses, net unrealized holding gains or losses on securities, foreign currency translation adjustments and minimum pension liability adjustments, is presented in the consolidated statements of stockholders' equity. The adoption of SFAS No. 130 has no impact on total stockholders' equity. Prior year financial statements have been restated to conform to SFAS No. 130 requirements.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the end of an accounting period and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the end of such accounting period. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 15.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will be adopted by Sanyo beginning April 1, 2001. This statement establishes accounting and reporting standards for derivative instruments and hedging activities, and requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The change in the fair value of a derivative will be recognized in earnings in the period of change or reported as a component of other comprehensive income, depending on the intended use of the derivative and the resulting designation. Sanyo has not yet determined the effect of adopting SFAS No. 133.

In March 1998, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee ("AcSEC") issued Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which will be adopted by Sanyo beginning April 1, 1999. SOP No. 98-1 requires certain costs incurred in connection with developing or obtaining internal-use software to be capitalized and other costs to be expensed. The Company has not yet determined the effect of adopting SOP No. 98-1.

In April 1998, AcSEC issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities," which will be adopted by Sanyo beginning April 1, 1999. SOP No. 98-5 requires costs of start-up activities, including organization costs, to be expensed as incurred. Adoption of SOP No. 98-5 will have no material effect on Sanyo's financial position or results of operations.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for 1999 represent the arithmetical results of translating yen to dollars on a basis of ¥120=US$1, the approximate effective rate of exchange at March 31, 1999.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥120=US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 1999 included installment receivables of ¥29,611 million ($246,758 thousand) from customers, of which ¥15,955 million ($132,958 thousand) matures after one year.

4 INVENTORIES

Inventories at March 31, 1999 and 1998 were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Finished products	**¥230,168**	¥233,054	**$1,918,067**
Work in process	**96,602**	92,351	**805,016**
Raw materials	**89,985**	91,662	**749,875**
	¥416,755	¥417,067	**$3,472,958**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

At March 31, 1999 and 1998	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars 1999
Current assets	**¥ 98,364**	¥ 97,069	**$ 819,700**
Noncurrent assets	**60,525**	52,469	**504,375**
Total assets	**158,889**	149,538	**1,324,075**
Current liabilities	**96,014**	91,938	**800,117**
Noncurrent liabilities	**30,534**	33,264	**254,450**
Total liabilities	**126,548**	125,202	**1,054,567**
Net assets	**¥ 32,341**	¥ 24,336	**$ 269,508**
Sanyo's investments in affiliates	**¥ 15,927**	¥ 12,530	**$ 132,725**
Number of affiliated companies at end of fiscal period:			
In Japan	**20**	20	
Outside Japan	**6**	2	

Years ended March 31, 1999, 1998 and 1997	Millions of Yen 1999	Millions of Yen 1998	Millions of Yen 1997	Thousands of U.S. Dollars 1999
Results of operations:				
Net sales	**¥244,692**	¥229,645	¥246,025	**$2,039,100**
Net income (loss)	**4,448**	(14,490)	4,108	**37,067**
Sanyo's equity in affiliates:				
Net income (loss)	**¥ 740**	¥ (875)	¥ 2,368	**$ 6,167**
Cash dividends	**457**	85	1,842	**3,808**
Transactions with affiliates:				
Sales to	**¥ 93,570**	¥ 88,572	¥ 74,482	**$ 779,750**
Purchases from	**46,416**	49,502	49,740	**386,800**

Aggregate carrying amount and market value at March 31, 1999 and 1998 of investments in affiliates (for which a quoted market price is available) are as follows:

	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars 1999
Carrying amount	**¥7,128**	¥ 7,730	**$59,400**
Market value	**8,995**	16,563	**74,958**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities at March 31, 1999 and 1998 included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) are summarized as follows:

	Millions of Yen							
	1999				1998			
	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 57,672**	**¥ 55,941**	**¥ 91**	**¥ 1,822**	¥ 50,798	¥ 44,937	¥ 909	¥ 6,770
Equity securities	**183,820**	**235,599**	**70,128**	**18,349**	178,902	222,938	57,426	13,390
	¥241,492	**¥291,540**	**¥70,219**	**¥20,171**	¥229,700	¥267,875	¥58,335	¥20,160

	Thousands of U.S. Dollars			
	1999			
Available-for-sale:				
Debt securities	**$ 480,600**	**$ 466,175**	**$ 758**	**$ 15,183**
Equity securities	**1,531,833**	**1,963,325**	**584,400**	**152,908**
	$2,012,433	**$2,429,500**	**$585,158**	**$168,091**

Contractual maturities of investments in debt securities classified as available-for-sale securities at March 31, 1999 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Costs	Fair Value	Costs	Fair Value
Due within one year	¥49,006	¥47,690	$408,383	$397,417
Due after 1 year through 5 years	8,486	8,109	70,717	67,575
Due after 5 years	180	142	1,500	1,183
	¥57,672	¥55,941	$480,600	$466,175

The proceeds from sales of available-for-sale securities for the years ended March 31, 1999, 1998 and 1997 were ¥25,686 million ($214,050 thousand), ¥23,541 million and ¥20,955 million, respectively. The gross realized gains and losses on those sales were ¥6,440 million ($53,667 thousand) and ¥6,579 million ($54,825 thousand), respectively, for the year ended March 31, 1999, ¥6,819 million and ¥1,847 million, respectively, for the year ended March 31, 1998 and ¥6,748 million and ¥2,380 million, respectively, for the year ended March 31, 1997.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of the unused lines of credit was approximately ¥763,000 million ($6,358,333 thousand) at March 31, 1999.

Short-term borrowings at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Short-term bank loans with interest ranging from 0.40% to 12.10%	**¥418,643**	¥432,102	**$3,488,692**
Commercial paper with interest ranging from 0.18% to 5.60%	**68,647**	96,560	**572,058**
	¥487,290	¥528,662	**$4,060,750**

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Loans, principally from banks and insurance companies, due 1999 to 2015 with interest rates ranging from 0.30% to 14.50%:			
Collateralized	**¥ 36,457**	¥ 20,311	**$ 303,808**
Uncollateralized	**375,457**	292,231	**3,128,808**
Uncollateralized convertible yen bonds (a):			
1.7% convertible bonds due November 2002	**5,657**	5,657	**47,141**
1.5% convertible bonds due November 1998	**—**	19,559	**—**
1.6% convertible bonds due November 2004	**49,899**	49,899	**415,825**
0.8% convertible bonds due March 2004	**7,710**	—	**64,250**
Uncollateralized Euroyen notes (a):			
Floating rate notes due May 1998	**—**	10,000	**—**
5.1% notes due September 1999	**20,000**	20,000	**166,667**
Floating rate notes due November 2000	**1,488**	—	**12,400**
1.15% notes due November 2000	**496**	—	**4,133**
1.30% notes due November 2001	**2,084**	—	**17,366**
Uncollateralized bonds (a):			
2.85% bonds due May 2000	**20,000**	20,000	**166,667**
3.05% bonds due May 2001	**10,000**	10,000	**83,333**
2.40% bonds due June 2001	**20,000**	20,000	**166,667**
2.25% bonds due June 2000	**10,000**	10,000	**83,333**
2.325% bonds due September 2001	**10,000**	10,000	**83,333**
2.625% bonds due September 2002	**20,000**	20,000	**166,667**
2.825% bonds due September 2003	**20,000**	20,000	**166,667**
3.10% bonds due May 2007	**20,000**	20,000	**166,667**
3.35% bonds due May 2009	**30,000**	30,000	**250,000**
1.550% bonds due June 2003	**10,000**	—	**83,333**
1.925% bonds due June 2005	**20,000**	—	**166,667**
2.325% bonds due June 2008	**20,000**	—	**166,667**
2.4% bonds due June 2005	**5,000**	—	**41,667**
0% bonds due September 2002	**5,000**	—	**41,667**
3.1% bonds due September 2001 with detachable warrants (b)	**460**	460	**3,833**
	719,708	578,117	**5,997,566**
Less, amount due within one year	**115,582**	121,481	**963,183**
	¥604,126	¥456,636	**$5,034,383**

(a) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.
(b) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR for their benefits.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 1999 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥115,190	$ 959,917
2002	138,608	1,155,067
2003	92,803	773,358
2004	133,459	1,112,158
2005 and thereafter	124,066	1,033,883
	¥604,126	$5,034,383

Under the terms of the agreements of the convertible debt outstanding at March 31, 1999, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds*:			
1.7% convertible bonds due November 2002	Dec. 1, 1998	103%–100%	¥600
1.6% convertible bonds due November 2004	Dec. 1, 1998	105%–100%	¥1,036
0.8% convertible bonds due March 2004	Mar. 31, 2004	100%	¥1,400

*May be repurchased at any time in the open market

As of March 31, 1999, the number of shares of common stock required to convert all of the convertible debt was 57,593 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their services with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). In accordance with the JWPIL, a portion of the government's social security pension program, under which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover 20% of the severance indemnities payable.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan, which is called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service who elect to participate.

Effective March 31, 1999, Sanyo adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which does not change the measurement or recognition of the pension plans, but revises the disclosure requirements for the pension plans.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

The following table sets forth the changes in benefit obligation, plan assets and fund status of the Company and its principal domestic subsidiaries at March 31, 1999 and 1998:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥380,067**	¥347,373	**$3,167,225**
Service cost	**17,970**	17,868	**149,750**
Interest cost	**16,769**	15,505	**139,741**
Plan participants' contributions	**3,720**	3,717	**31,000**
Actuarial loss	**(10,999)**	7,714	**(91,658)**
Benefits paid	**(14,451)**	(12,110)	**(120,425)**
Benefit obligation at end of year	**393,076**	380,067	**3,275,633**
Change in plan assets:			
Fair value of plan assets at beginning of year	**206,743**	193,343	**1,722,858**
Actual return on plan assets	**3,264**	(648)	**27,200**
Employer contribution	**17,940**	16,885	**149,500**
Plan participants' contributions	**3,720**	3,717	**31,000**
Benefits paid	**(8,256)**	(6,554)	**(68,800)**
Fair value of plan assets at end of year	**223,411**	206,743	**1,861,758**
Funded status:			
Benefit obligation in excess of plan assets	**169,665**	173,324	**1,413,875**
Unrecognized net transition obligation at date of adoption	**(5,488)**	(6,312)	**(45,733)**
Unrecognized prior service cost	**(9,397)**	(10,263)	**(78,308)**
Unrecognized actuarial loss	**(53,255)**	(59,659)	**(443,792)**
Net amount recognized	**101,525**	97,090	**846,042**
Reconciliation to accrued pension liability:			
Intangible asset	**14,885**	16,574	**124,042**
Amount included in accumulated other comprehensive income, gross of tax	**6,088**	13,621	**50,733**
Accrued pension liability recognized in the consolidated balance sheets	**¥122,498**	¥127,285	**$1,020,817**

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 1999, 1998, and 1997:

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	**1999**
Service cost	**¥17,970**	¥17,868	¥14,391	**$149,750**
Interest cost	**16,769**	15,505	15,290	**139,742**
Expected return on plan assets	**(9,303)**	(8,700)	(7,579)	**(77,525)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**6,867**
Prior service cost	**865**	865	851	**7,208**
Actuarial loss	**1,443**	813	—	**12,025**
Net periodic benefit cost	**¥28,568**	¥27,175	¥23,777	**$238,067**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 1999, 1998 and 1997 are as follows:

	1999	1998	1997
Discount rate	**4.5%**	4.5%	4.5%
Long-term rate of salary increase	**3.2%**	3.2%	3.2%
Long-term rate of return on fund assets	**4.5%**	4.5%	4.5%

9 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense is related to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expense is not significant. Commitments outstanding at March 31, 1999 for purchase of property, plant and equipment approximate ¥6,659 million ($55,492 thousand).

Contingent liabilities at March 31, 1999 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥16,544 million ($137,867 thousand), ¥91,887 million ($765,725 thousand) and ¥69,027 million ($575,225 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

10 FINANCIAL INSTRUMENTS

Sanyo uses derivative financial instruments, which comprise principally foreign currency exchange forward contracts and interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. Sanyo does not hold or issue any financial instruments for trading purposes.

Sanyo has entered into foreign currency exchange forward contracts, generally maturing within six months, as hedges against transactions in foreign currencies. The foreign currency exchange forward contracts are used to minimize exposure and to reduce risk from exchange rate fluctuations in the ordinary course of its worldwide operations. Sanyo had foreign exchange forward contracts to sell ¥54,929 million ($457,742 thousand) and purchase ¥8,184 million ($68,200 thousand) at March 31, 1999 and to sell ¥36,431 million and purchase ¥6,379 million at March 31, 1998 in foreign currencies.

Sanyo has also entered into various interest rate and currency swap agreements with financial institutions, which will mature mainly during 1999 to 2005. These agreements are arranged to hedge against exposure of interest rate and currency fluctuations of certain assets and liabilities on the balance sheet. The amounts of the underlying interest rate swap agreements were ¥428,787 million ($3,573,225 thousand) and ¥290,585 million at March 31, 1999 and 1998, respectively. The amounts of the underlying currency swap agreements were ¥26,932 million ($224,433 thousand) and ¥11,983 million at March 31, 1999 and 1998, respectively. The related differentials to be paid or received are recognized over the terms of agreements.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements described previously.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates fair value because of the short maturity of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices for those instruments. For the other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates or the amount that Sanyo would receive or pay to terminate the swap agreements at the balance sheet date.

The estimated fair values of financial instruments as of March 31, 1999 and 1998 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	1999		1998		**1999**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:						
Liabilities:						
Long-term debt	**¥604,126**	**¥614,072**	¥456,636	¥462,067	**$5,034,383**	**$5,117,267**
Derivatives:						
Foreign currency exchange forward contracts	**—**	**(1,409)**	—	(1,528)	**—**	**(11,742)**
Interest rate and currency swap agreements	**—**	**4,751**	—	(1,742)	**—**	**39,592**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop the estimate of fair value. Accordingly, the estimate presented herein may not be indicative of the amounts that could be realized in the current market exchange. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

11 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the Code), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash payments for appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of its stated capital. The legal reserve may be used to reduce a deficit or may be transferred to stated capital through appropriate stockholder and director actions but is not available for dividend payment.

12 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 48% for the year ended March 31, 1999 and 51% for the years ended March 31, 1998 and 1997.

As a result of the Japanese Tax Reform Acts, which were enacted on March 31, 1998 and March 24, 1999, the Company's statutory income tax rate was decreased to 48% for the year ended March 31, 1999 and will be further decreased to 42% for the year ending March 31, 2000. The deferred tax assets and liabilities at March 31, 1999 and 1998 were adjusted to reflect the revised rates. As a result, provision for income taxes—deferred increased by ¥2,633 million ($21,942 thousand) and ¥2,816 million for the years ended March 31, 1999 and 1998, respectively.

Reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 1999, 1998 and 1997 are as follows:

	1999	1998	1997
Statutory income tax rate	**48.0 %**	51.0 %	51.0 %
Increase (decrease) in taxes resulting from:			
Valuation allowance provided for current period losses of subsidiaries	**(121.9)%**	29.7 %	22.7 %
Effect of change in statutory tax rate	**(17.8)%**	7.4 %	—
Expenses not deductible for tax purposes	**(5.9)%**	3.2 %	2.9 %
Tax credits	**16.6 %**	(19.3)%	(17.3)%
Differences in statutory tax rates of foreign subsidiaries	**3.9 %**	(3.4)%	(3.0)%
Other	**(0.4)%**	(3.5)%	5.8 %
Effective income tax rate	**(77.5)%**	65.1 %	62.1 %

The significant components of deferred tax assets and deferred tax liabilities at March 31, 1999 and 1998 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	**1999**
Deferred tax assets:			
Accrued pension and severance costs	**¥22,382**	¥23,751	**$186,517**
Accrued expenses	**12,445**	13,718	**103,708**
Operating loss carryforwards	**22,335**	10,717	**186,125**
Inventories	**3,612**	4,006	**30,100**
Allowance for doubtful accounts	**3,964**	3,411	**33,033**
Property, plant and equipment	**1,080**	865	**9,000**
Enterprise taxes	**—**	1,012	**—**
Long-term investments	**3,936**	3,788	**32,800**
Other	**6,425**	6,932	**53,542**
Gross deferred tax assets	**76,179**	68,200	**634,825**
Less, valuation allowance	**(23,755)**	(9,405)	**(197,958)**
Total deferred tax assets	**52,424**	58,795	**436,867**
Deferred tax liabilities:			
Short-term investments	**(20,227)**	(17,074)	**(168,558)**
Deferred income	**(6,541)**	(6,477)	**(54,508)**
Deferred expenses	**(887)**	(963)	**(7,392)**
Other	**(1,526)**	(662)	**(12,717)**
Gross deferred tax liabilities	**(29,181)**	(25,176)	**(243,175)**
Net deferred tax assets	**¥23,243**	¥33,619	**$193,692**

The net changes in the total valuation allowance for the years ended March 31, 1999 and 1998 were an increase of ¥14,350 million ($119,583 thousand) and a decrease of ¥2,576 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 1999 amounted to approximately ¥49,491 million ($412,425 thousand) and are available as an offset against future taxable income of such subsidiaries. These will expire in the period from 1999 through 2013.

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 1999, 1998 and 1997 were ¥93,737 million ($781,142 thousand), ¥94,683 million and ¥93,633 million, respectively.

14 GAIN ON PUBLIC STOCK ISSUANCE BY SUBSIDIARY

On July 10, 1996, SECR completed an issuance of 2,000,000 shares of its common stock at prices ranging from ¥1,750 to ¥2,760 per share in an initial public offering. As a result of this issuance, the Company's ownership in SECR decreased from 72.50% to 65.91%, and a gain of ¥1,248 million was recognized due to the offering prices exceeding the Company's average carrying value per share.

15 INCOME PER SHARE

Income per share for the years ended March 31, 1999, 1998 and 1997 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	**1999**
Basic income per share calculation:				
Income (numerator):				
Net (loss) income	**¥ (25,883)**	¥ 12,320	¥ 17,674	**$ (215,691)**
Shares, thousand (denominator):				
Weighted average number of shares	**1,920,197**	1,951,099	1,951,062	
Basic (loss) income per share (yen and U.S. dollars)	**¥ (13.5)**	¥ 6.3	¥ 9.1	**$ (0.113)**
Diluted income per share calculation:				
Income (numerator):				
Net (loss) income	**¥ (25,883)**	¥ 12,320	¥ 17,674	**$ (215,691)**
Interest on convertible bonds, net of tax	**—**	47	677	**—**
Adjusted net (loss) income	**(25,883)**	12,367	18,351	**(215,691)**
Shares, thousand (denominator):				
Weighted average number of shares	**1,920,197**	1,951,099	1,951,062	
Assumed conversion of convertible bonds	**—**	9,428	90,457	
Adjusted weighted average number of shares	**1,920,197**	1,960,527	2,041,519	
Diluted (loss) income per share (yen and U.S. dollars)	**¥ (13.5)**	¥ 6.3	¥ 9.0	**$ (0.113)**

The calculation of weighted average number of shares for diluted (loss) income per share in 1999 and 1998 does not include incremental shares of 57,593 thousand and 67,045 thousand, respectively, from assumed conversions of convertible bonds since their effects are anti-dilutive.

16 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 1999, 1998, and 1997 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	**1999**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥29,790**	¥31,101	¥29,193	**$248,250**
Income taxes	**24,792**	25,962	21,203	**206,600**
Conversion of convertible debt into common stock	**—**	—	98	**—**

17 RECLASSIFICATION

Certain reclassifications of previously reported amounts have been made to the consolidated balance sheet at March 31, 1998 and the consolidated statements of stockholders' equity for the years ended March 31, 1998 and 1997 to conform to the 1999 presentation. Such reclassifications have no effect on net assets and cash flows.

REPORT OF INDEPENDENT ACCOUNTANTS

Coopers
&Lybrand

To the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1999 and 1998 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1999, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for the omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

Coopers & Lybrand

Osaka, Japan
June 18, 1999

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 29, 1999)

Executive Directors

Chairman
Satoshi Iue

Executive Vice Chairman
Yasuaki Takano

President
Sadao Kondo

Executive Directors
Masaho Sugimoto
Yoshio Shimoda
Motoharu Iue
Isamu Nakagawa

Directors

Corazon C. Aquino
Yasusuke Tanaka
Junichiro Yano
Yukinori Kuwano
Toshimasa Iue
Sunao Okubo

Corporate Executive Auditors

Tsuyoshi Morikawa
Akihide Kawanaka
Shigeru Sakata

Corporate Auditors

Sotoo Tatsumi
Takao Sudo
(Sotoo Tatsumi is advisor of the Sumitomo Bank, Limited, and Takao Sudo is president of STC Co., Ltd.)

OFFICERS

(As of June 29, 1999)

Chairman & Chief Executive Officer
Satoshi Iue

President & Chief Operating Officer
Sadao Kondo

Executive Vice President & Chief Financial Officer
Yoshio Shimoda

Executive Officers
Yasusuke Tanaka
Junichiro Yano
Yukinori Kuwano
Toshimasa Iue
Sunao Okubo

Senior Officers
Yasuo Ohira
Hiromoto Sekino
Akiyoshi Takano
Hitoshi Komada
Masabumi Kawano

Officers
Minoru Hagihara
Osamu Seto
Fusao Terada
Akira Yoshida
Satoshi Inoue
Tadahiko Tanaka
Tadao Shimada
Shosaku Kurome
Akira Kan
Osamu Kajikawa
Eiji Kotobuki

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 1999)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales and Lease of Electrical and Electronic Products

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Audio Equipment, Information Systems, Electronic Parts, and Home Appliances

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Life Electronics Co., Ltd.
Principal Business: Sales of Electrical and Electronic Products

SANYO Electric Trading Co., Ltd.
Principal Business: Export and Import of Electrical and Electronic Products

SANYO Electric Vending Machine Co., Ltd.
Principal Business: Sales of Vending Machines

SANYO Electric Commercial Equipment Co., Ltd.
Principal Business: Sales and Installation of Refrigerators-Freezers, and Kitchen Appliances

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

(Sanyo has a total of 102 consolidated subsidiaries—52 in Japan and 50 overseas.)

PRINCIPAL SANYO OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of March 31, 1999)

● Manufacturing Companies	77
■ Sales Companies	32
◆ Other Companies	36
Total	145

NORTH AMERICA

United States

- ● SANYO Manufacturing Corporation, *Forrest City, Arkansas*
- ● SANYO E & E Corporation, *San Diego, California*
- ● SANYO California Corporation, *San Diego, California*
- ● SANYO Information Systems Corporation, *San Diego, California*
- ● SANYO Energy (U.S.A.) Corporation, *San Diego, California*
- ● SANYO Audio Manufacturing (USA) Corporation, *Milroy, Pennsylvania*
- ● SANYO Video Components (U.S.A.) Corporation, *San Diego, California*
- ● Solec International, Inc., *Carson, California*
- ■ SANYO Semiconductor Corporation, *Allendale, New Jersey*
- ■ SANYO Semiconductor Distribution (U.S.A.) Corporation, *Norwood, New Jersey*
- ◆ SANYO North America Corporation, *San Diego, California*
- ◆ SANYO Laser Products, Inc., (SANYO-Verbatim CD Company L.L.C.) *Richmond, Indiana*
- ◆ SANYO Logistics Corporation, *Gardena, California*
- ◆ SANYO Electric Finance (USA) Corporation, *New York, New York*
- ◆ Three Oceans Inc., *New York, New York*
- ◆ SANYO Customs Brokerage, Inc., *San Diego, California*
- ◆ SANYO Transportation Company, *Gardena, California*

Canada

- ■ SANYO Canada Inc., *Toronto, Ontario*
- ◆ SANYO E.T. Canada Inc., *Toronto, Ontario*
- ◆ SANYO Canada Holdings 1990 Inc., *Toronto, Ontario*

Mexico

- ● Sanmex, S.A. de C.V., *Tijuana*
- ● MABE SANYO Compressors S.A. de C.V., *San Luis Potosí*
- ◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana*
- ◆ SANYO Customs Brokerage S.A. de C.V., *Tijuana*
- ◆ Dos Aguilas S.A. de C.V., *Tijuana*
- ◆ SANYO Manufacturing S.A. de C.V., *Tijuana*

SOUTH AMERICA

Brazil

- ● SANYO da Amazônia S.A., *Manaus*
- ■ Industria Electronica SANYO do Brazil Ltda., *São Paulo*
- ◆ SANYO do Brazil Participacões e Empreendimentos S/C Ltda., *São Paulo*

Argentina

- ● NEWSAN S.A., *Buenos Aires*
- ◆ Sanelco S.A., *Ushuaia*

EUROPE

United Kingdom

- ● SANYO Industries (U.K.) Limited, *Lowestoft*
- ● SANYO Electric Manufacturing (U.K.) Limited, *Newton Aycliffe*
- ● SANYO Gallenkamp PLC, *Uxbridge*
- ● SANYO Energy (U.K.) Company Limited, *Hemel Hempstead*
- ■ SANYO Information Systems (UK) Limited, *Watford*
- ◆ SANYO Europe Limited, *Watford*
- ◆ SANYO Electric International Finance (UK) PLC, *Watford*

The Netherlands

- ■ SANYO Gallenkamp B.V., *Breda*
- ◆ SANYO Electric Finance Netherlands B.V., *Amsterdam*

Belgium

- ◆ N.V. SANYO Sales (Antwerp) S.A., *Antwerp*

Germany

- ● SANYO Industries Deutschland GmbH, *Nördlingen*
- ● SANYO Energy (Europe) Corporate GmbH, *Haar*
- ■ SANYO FISHER Vertriebs GmbH, *München*
- ■ SANYO Büro-Electronic Europa-Vertrieb GmbH, *München*
- ■ SANYO Semiconductor (Europe) GmbH, *Eschborn*

Italy

- ● SANYO Argo Clima S.r.L., *Gallarate*
- ■ SANYO Airconditioners Europe S.r.L., *Milano*

Spain

- ● SANYO España, S.A., *Barcelona*

Portugal

- ■ SANYO Portugal Electronica S.A., *Amadora*

AFRICA

Kenya

- ■ SANYO ARMCO (Kenya) Limited, *Nairobi*

Ghana

- ● Ghana SANYO Company Limited, *Tema*

South Africa

- ■ SANYO South Africa (Pty) Ltd., *Sandton*

ASIA

China

- ● SANYO Electric (Shekou) Ltd., *Shenzhen*
- ● Huaqiang SANYO Electronics Co., Ltd., *Shenzhen*
- ● Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang*
- ● Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang*
- ● Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen*
- ● Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin*
- ● Suzhou SANYO Electro-Mechanical Co., Ltd., *Wuxian*
- ● SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Wuxian*
- ● Hefei SANYO Rongshida Electric Co., Ltd., *Hefei*
- ● Dalian SANYO Compressor Co., Ltd., *Dalian*
- ● Dalian SANYO Refrigeration Co., Ltd., *Dalian*
- ● Guangdong SANYO Air Conditioner Co., Ltd., *Foshan*
- ● Shenyang SANYO Airconditioner Co., Ltd., *Shenyang*
- ● Dalian Honjo Chemical Corporation, *Dalian*
- ● Dalian SANYO Air Conditioner Co., Ltd., *Dalian*
- ● Dalian SANYO Cold-Chain Co., Ltd., *Dalian*
- ● Guangdong SANYO KELON Refrigerator Co., Ltd., *Guangdong*
- ● Dalian SANYO Food Systems Co., Ltd., *Dalian*
- ● SANYO Semiconductor (Shekou) Ltd., *Shenzhen*
- ● Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen*
- ● Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen*

- ● Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou*
- ● Dalian SANYO Home Appliances Co., Ltd., *Dalian*
- ● Dalian Bingshan Metal Processing Co., Ltd., *Dalian*
- ◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen*
- ◆ Guandong Huaqiang SANYO Group Co., Ltd., *Dondduang*
- ◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Shanghai*
- ◆ SANYO Electric (China) Co., Ltd., *Beijing*
- ◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian*
- ◆ Beijing SANYO Cleaning Co., Ltd., *Beijing*

(Hong Kong)

- ● SANYO Energy (Hong Kong) Company Limited
- ● Tottori SANYO Electric (Hong Kong) Limited
- ■ Tatt Sing SANYO Electric Company Limited
- ■ SANYO Electronics (H.K.) Limited
- ■ SANYO Semiconductor (H.K.) Co., Ltd.
- ■ SANYO Commercial Refrigeration International Co., Ltd.
- ◆ SANYO Electric (Hong Kong) Limited

Taiwan

- ● SANYO Electric (Taiwan) Co., Ltd., *Taipei*
- ● SANYO Electronic (Taichung) Co., Ltd., *Taichung*
- ● SANYO Energy (Taiwan) Co., Ltd., *Taipei*
- ■ SANYO Semiconductor Taipei Co., Ltd., *Taipei*
- ■ Chen Ho & Co., Ltd., *Taipei*

Republic of Korea

- ● Korea Tokyo Electronic Co., Ltd., *Masan*
- ● Korea Tokyo Silicon Co., Ltd., *Masan*
- ● Korea TT Co., Ltd., *Masan*
- ● Korea SANYO Electric Co., Ltd., *Chang Won*

Philippines

- ● SANYO (Philippines), Inc., *Manila*
- ● SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac*
- ● Sanwa Electric Philippines, Inc., *Cavite*
- ● Tottori SANYO Electric (Philippines) Corporation, *Cavite*
- ■ SANYO Marketing Corporation, *Manila*
- ◆ Sanwa Estate Philippines, Inc., *Manila*
- ◆ SSMP Estate Corporation, *Tarlac*
- ◆ Tottori SANYO Electric Philippines Estate Corporation, *Cavite*

Thailand

- ● SANYO Universal Electric Public Co., Ltd., *Bangkok*
- ● SANYO Semiconductor (Thailand) Co., Ltd., *Utai*
- ■ SANYO (Thailand) Co., Ltd., *Bangkok*
- ■ SANYO SMI Thailand Co., Ltd., *Bangkok*

Vietnam

- ● SANYO Home Appliances Vietnam Corporation, *Bien-hoa*

Malaysia

- ● SANYO Electric (Penang) Sdn. Bhd., *Penang*
- ● SANYO Pt (M) Sdn. Bhd., *Johor*
- ● FMS Audio Sdn. Bhd., *Penang*
- ■ SANYO Sales and Service Sdn. Bhd., *Petaling Jaya*

Singapore

- ● SANYO Industries (Singapore) Private Limited
- ● SANYO Precision Singapore Pte., Ltd.
- ● SANYO Airconditioners Manufacturing Singapore, Pte., Ltd.
- ● SANYO Compressor Singapore Pte., Ltd.
- ● SANYO Denso Industries (Singapore) Pte., Ltd.
- ■ SANYO Malaysia Sdn. Bhd.
- ■ SANYO Airconditioners (Singapore) Pte., Ltd.
- ■ SANYO Semiconductor (S) Pte., Ltd.
- ■ SANYO Energy (Singapore) Corporation Pte., Ltd.
- ■ Kumagaya Precision Motor (Singapore) Pte., Ltd.
- ■ SANYO Electronic Components (Singapore) Private Limited
- ◆ SANYO Asia Pte., Ltd.
- ◆ S.C. STAFF Private Limited
- ◆ Nissei SANYO Hitech Service Pte., Ltd.

Indonesia

- ● P.T. SANYO Industries Indonesia, *Jakarta*
- ● P.T. SANYO Jaya Components Indonesia, *Bogor, West Java*
- ● P.T. SANYO Energy (Batam) Corporate, *Batam Island*
- ● P.T. SANYO Compressor Indonesia, *Bekasi, West Java*
- ● P.T. Kumagaya Precision Motor Batam, *Batam Island*
- ● P.T. Jaya Indah Casting, *Bekasi, West Jaya*
- ● P.T. SANYO Electronics Indonesia, *Bekasi, West Java*
- ◆ P.T. SANYO Precision Batam, *Batam Island*

India

- ● BPL SANYO Limited, *Bangalore*
- ◆ BPL SANYO Finance Limited, *Bangalore*
- ◆ SANYO LSI Technology India Private Limited, *Bangalore*

OCEANIA

Australia

- ■ SANYO Australia Pty. Ltd., *Homebush, N.S.W.*

New Zealand

- ■ Autocrat SANYO Holdings (N.Z.) Limited, *Auckland*

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Tel: (06) 6991-1181
Facsimile: (06) 6991-6566 (Corporate Communications Department)

TOKYO OFFICE
1-10, Ueno 1-chome, Taito-ku, Tokyo 110-8534, Japan
Tel: (03) 3835-1111
Facsimile: (03) 3837-6381 (Corporate Communications Department)

U.S. CONTACT ADDRESS
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154
Tel: (619) 661-1134
Facsimile: (619) 661-6795
(New York Office)
666 Fifth Avenue, New York, NY 10103, U.S.A.
Tel: (212) 315-3232
Facsimile: (212) 315-3263 (Corporate Communications Department)

FOUNDATION
Founded: February 1947   Incorporated: April 1950

COMMON STOCK (As of March 31, 1999)
Authorized: 4,953,125,000 shares   Issued: 1,904,256,137 shares

CAPITAL (As of March 31, 1999)
¥172,238,795,113

NUMBER OF STOCKHOLDERS (As of March 31, 1999)
209,101

LISTINGS
Common stock is listed on the Tokyo, Osaka, and six other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 1999, 1998 and 1997 were as follows:

	Fiscal 1999		Fiscal 1998		Fiscal 1997	
	High	**Low**	High	Low	High	Low
First quarter	**¥420**	**¥316**	¥535	¥434	¥680	¥625
Second quarter	**434**	**334**	533	365	674	552
Third quarter	**375**	**297**	439	290	600	462
Fourth quarter	**427**	**319**	405	295	526	404

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 1999, 1998 and 1997 were as follows:

1999-II	**1999-I**	1998-II	1998-I	1997-II	1997-I
¥2.50	**¥2.50**	¥2.50	¥2.50	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Department at our Head Office.

SANYO Electric Co., Ltd.

Printed on recycled paper in Japan

EXHIBIT H

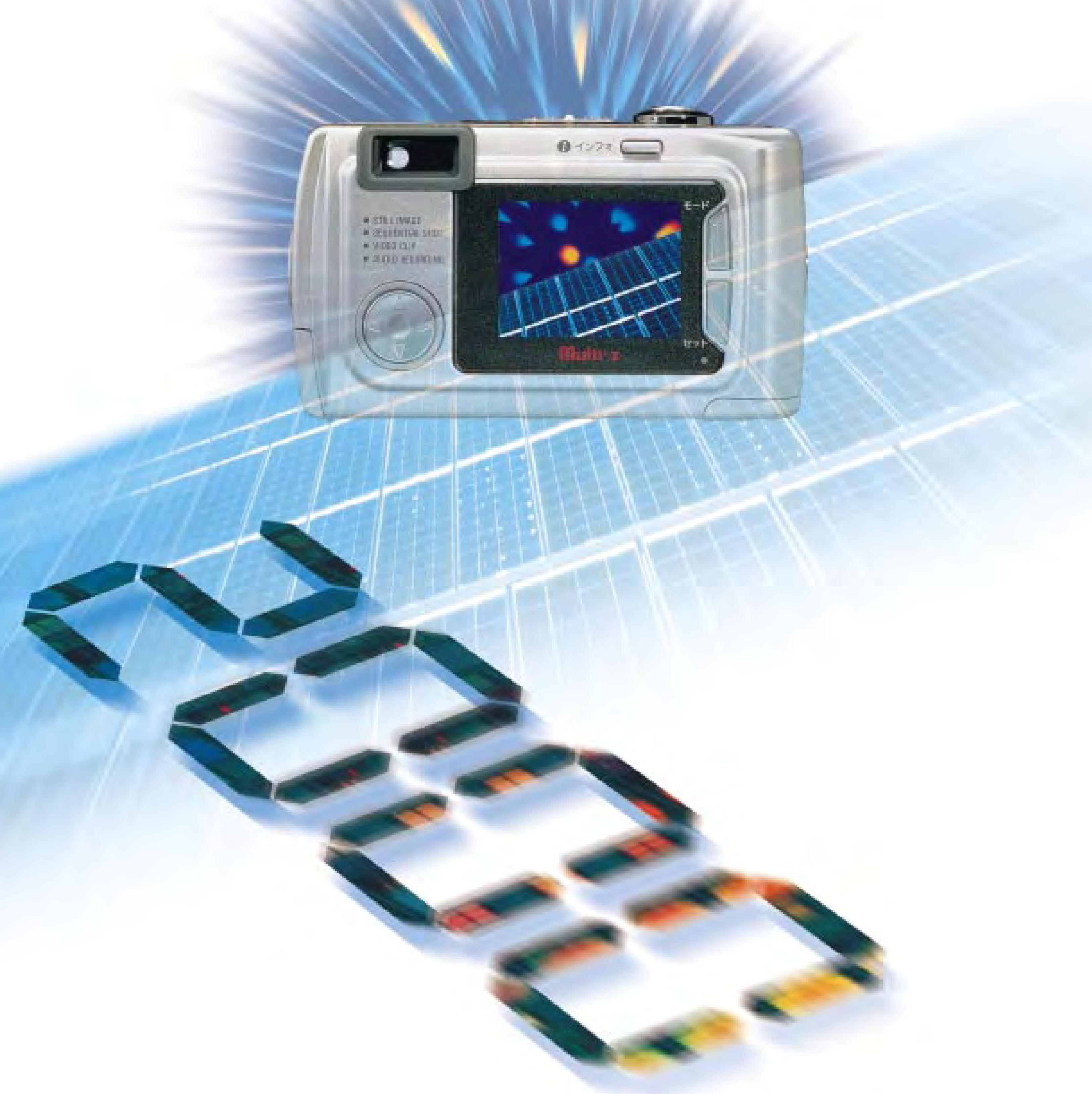
SANYO

SANYO Electric Co., Ltd.

Annual Report

2000

For the year ended March 31, 2000



Incorporated in 1950, SANYO Electric Co., Ltd., manufactures a broad range of electronic products grouped into six categories: AV·Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, and Batteries as well as Others. Sanyo's net sales for the year ended March 31, 2000 ("fiscal 2000"), amounted to ¥1,940.4 billion (US$18,305 million). The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly an international organization, comprising 81 manufacturing companies, 32 sales companies, and 36 other companies based in 26 countries.

A particular focus and strength of Sanyo is the development of technologies that minimize the burden on the environment, such as those for clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. For example, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries. Sanyo is also aggressively expanding its multimedia business, where its digital cameras, LCD projectors, and cellular phones and Personal Handyphone System (PHS) phones, which were developed using its own independent technologies, have been highly acclaimed in a wide range of areas.

Contents

In this annual report, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

Notice Related to Future Outlook

All statements in this annual report other than past factual matters represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in the light of currently available information. Therefore, Sanyo does not guarantee the accuracy and reliability of information it receives and asks that you do not rely on this information alone.

There are various risks and uncertainties related to factors causing changes in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets as well as changes in consumption in businesses in which the Company engages; 2) the effects of changes in the exchange rates between the yen and the dollar as well as the yen and other currencies on the Company's international business activities; 3) various trade restrictions in the markets of each country; and 4) the Company's ability to provide new technologies, new products, and services amid rapid technological innovation in information technology (IT), market competition, and price competition. However, it should be noted that factors affecting the Company's performance are not limited to these factors and that there are other factors that contain latent risks and uncertainties.

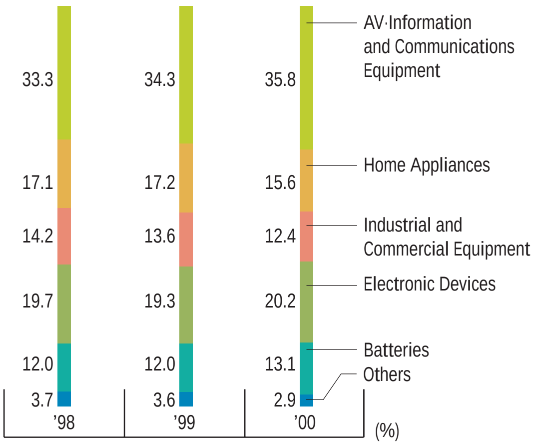
Financial Highlights

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note a)
	2000	1999	1998	**2000**
Net sales	**¥1,940,378**	¥1,818,153	¥1,866,426	**$18,305,453**
Net income (loss)	**21,686**	(25,883)	12,320	**204,585**
Total stockholders' equity	**665,454**	695,615	750,572	**6,277,868**
Total assets	**2,706,055**	2,662,525	2,641,894	**25,528,821**
	Yen			U.S. Dollars (Note a)
Per share (Note b):				
Net income (loss):				
Basic	**¥ 11.5**	¥ (13.5)	¥ 6.3	**$ 0.108**
Diluted	**11.4**	(13.5)	6.3	**0.108**
Cash dividends declared	**5.0**	5.0	5.0	**0.047**
Per American Depositary Share (Notes b and c):				
Net income (loss):				
Basic	**¥ 57.5**	¥ (67.5)	¥ 31.5	**$ 0.542**
Diluted	**57.0**	(67.5)	31.5	**0.538**
Cash dividends declared	**25.0**	25.0	25.0	**0.236**

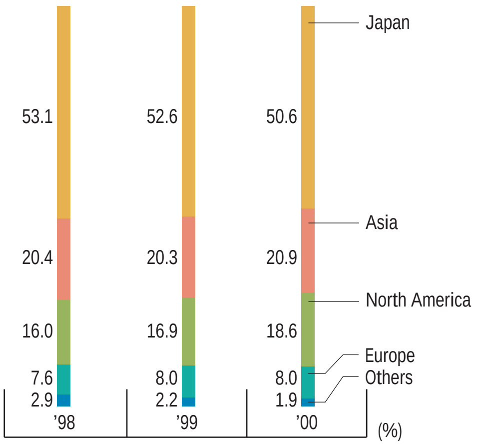
Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.
(b) See Notes 1 and 14 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

● Sales by Product Category



Note: This graph shows figures of sales to external customers only.

● Sales by Area



Note: This graph shows figures of sales to external customers only, according to the geographic regions of customers.

To Our Stockholders

During fiscal 2000, the world economy began a recovery, with rapid growth in global demand in such telecommunications sectors as mobile phones and Internet-related fields. Supported mainly by brisk corporate investment in IT, sales of PCs, semiconductors, and electronic devices and components expanded throughout the year. Reflecting these favorable developments, SANYO Electric Co., Ltd., posted firm growth in net sales, centering on such key devices as telecommunications equipment, digital cameras, cellular phones and Personal Handyphone System (PHS) phones, batteries, and semiconductors.

Business Results

Due to a recovery in the Japanese economy, the Company's restructuring, and growth in sales of highly profitable electronic devices, Sanyo recorded a 2.6% increase in domestic sales, to ¥981.7 billion (US$9,261 million), and an 11.3% jump in overseas sales, to ¥958.7 billion (US$9,044 million). Consolidated net sales thus rose 6.7%, to ¥1,940.4 billion (US$18,305 million). Along with growth in net sales, Sanyo posted large gains in profits, with operating income soaring 95.5%, to ¥62.1 billion (US$586 million). Income before income taxes and equity in earnings amounted to ¥31.1 billion (US$294 million), compared with a loss before income taxes and equity in earnings in the previous fiscal year. Net income improved sharply, amounting to ¥21.7 billion (US$205 million), compared with a net loss in the previous fiscal year. The conspicuous improvement in Sanyo's profitability was due to sales, which significantly exceeded our initial expectations. By type of product, sales of AV·Information and Communications Equipment were up 11.4%, sales of Batteries jumped 17.2%, and sales of Electronic Devices surged 11.7%. On the other hand, sales of Home Appliances declined 3.3%, and sales of Industrial and Commercial Equipment slipped 3.2%. Products making a particularly large contribution to sales included such AV·Information and Communications Equipment as liquid crystal display (LCD) projectors, digital cameras, and cellular phones and PHS phones as well as such key devices as rechargeable batteries, LCDs, and electronic components.

Satoshi Iue,
Chairman & Chief Executive Officer

Although our performance benefited from growing domestic and overseas demand for IT-related and communications equipment, we believe that our solid results were also attributable to the success of various management reforms implemented during the year under review as well as our concentration of management resources in growth sectors.

Significance of New Management Reforms

In last year's annual report, we reported that we were launching a series of crucial management reforms, including the introduction of a business group company system, the reorganization of our Board of Directors, the use of external directors, and the initiation of an executive officer system. These were changes made in accordance with our belief that, to continue to grow amid fierce competition in the 21st century, we must conform to global management standards and thus create a new management system that is not constricted by previously held values and notions. Acting on this conviction, Sanyo is preparing to implement additional drastic reforms, using the occasion of the Company's 50th anniversary in April 2000 as a starting point for entering a new era of growth. If we fail to reshape our operations through such reforms, we must be prepared to accept the possibility that the future could not bode well for Sanyo.

The Company has reorganized its eight former business groups into five business group companies. Each business group company is specializing in specific fields and enhancing competitiveness. Amid an era of rapid change, these business group companies will quickly carry out decision making and business activities to further raise the value of Sanyo.

As a final aim of our reforms, we plan to eliminate unprofitable businesses and ensure that all our businesses operate in the black. Therefore, it is essential that each business division make its fullest effort to develop new products and cultivate new businesses.

Accelerating Selectivity and Concentration

By implementing the previously mentioned series of reforms, Sanyo is building a strong and flexible organizational structure. However, merely strengthening our organization and speeding up our decision making and business activities will not ensure our future success. We must also appropriately allocate management resources to business fields with growth potential, while stressing effective product development. With this in mind, we are emphasizing selectivity and concentration in our business fields as a means of raising profitability. Specifically, we will draw on the strengths of Sanyo and concentrate the allocation of management resources into the Digital & Devices and Environment businesses, which encompass such multimedia products as digital cameras, cellular phones and PHS phones, and LCD projectors, which integrate Sanyo's unsurpassed AV, recording, and communications technologies. The Digital & Devices and Environment businesses also include such key devices as optical pickups, system large-scale integrated circuits (LSIs), rechargeable batteries, LCDs, semiconductors, and electronic components, which, together, serve as the heart of multimedia products. We believe that products in such rapidly expanding fields of the Digital & Devices and Environment businesses will be driving forces behind Sanyo's future growth. Highlighting its determination to achieve growth in these sectors, Sanyo is collaborating with such renowned companies as International Business Machines Corp. (IBM), Philips Electronics N.V., and Eastman Kodak Company. On the other hand, in mature business sectors with dim prospects for growth, such as home appliances, we plan to implement rationalization measures and transform these businesses into low-cost operations.

Sadao Kondo,
President & Chief Operating Officer

Sanyo will now begin carrying out a strict selection process for each product sector, involving the implementation of rationalization measures when feasible and the elimination of products and businesses when necessary. Rather than offering an extremely wide product selection, we are streamlining our product lineup to encompass only products with significant growth potential.

Investing in Growth Fields and Rationalizing Operations

Sanyo will aggressively invest in growth fields, while rationalizing and consolidating unprofitable businesses. For the production of large thin-film transistor LCDs (TFT-LCDs), a product with significant growth potential, Tottori SANYO Electric Co., Ltd., has invested ¥91 billion for a second production plant, which is scheduled to begin operations in spring 2001. The global TFT-LCD market, as a whole, is expected to continue expanding rapidly, from ¥1 trillion in fiscal 2000 to ¥3 trillion* in fiscal 2004. In response to rising demand, Tottori Sanyo will manufacture large TFT-LCDs, mainly for LCD monitors, LCD televisions, notebook PCs, and regular PCs.

* Source: Tottori SANYO Electric Co., Ltd.

Sanyo is also carefully restructuring and rationalizing its operations. For example, we are strengthening our overall air conditioner business by merging our household and commercial air conditioner businesses and spinning these operations off as a separate company. Moreover, to reduce fixed costs, Sanyo plans to consolidate its refrigerator operations in its Gunma Plant by March 2001, six months ahead of schedule.

Mega Solar—The World's Largest Solar Power System

Sanyo carries out its business based on the themes of multimedia and clean energy. In clean energy, Sanyo has placed top priority on responding to various environmental problems and is focusing on protecting the environment through all its corporate activities. Sanyo conducts its operations guided by its philosophy of coexistence with the environment, based on its corporate slogan, "We like people and the Earth," and backed by the bonds of trust with consumers as well as local and international communities. As part of Sanyo's approach to environmental protection, Sanyo decided to construct Mega Solar, a clean-energy solar power system, at its Gifu Plant. With completion planned for 2004, Mega Solar will integrate Sanyo's industry-leading technological capabilities acquired through many years of R&D. Specifically, Mega Solar integrates a solar battery heterojunction with intrinsic thin-layer (HIT) structure that boasts the industry's highest conversion rate, and it will have an output of 3.4MW, the highest in the world. Mega Solar will be able to generate 3,700MW annually, equivalent to the amount of electric power consumed by 1,000 homes a year. The use of Mega Solar will reduce the Gifu Plant's CO_2 emissions approximately 670 tons annually. Sanyo is progressing with the use of clean energy, including at its Head Office and production facilities. The development of Mega Solar symbolizes Sanyo's commitment to coexisting with the environment through the use of clean energy in the 21st century.

In closing, we would appreciate the continued support of our stockholders.

July 2000

Satoshi Iue,
Chairman & Chief Executive Officer

Sadao Kondo,
President & Chief Operating Officer

Key Devices for an IT-Based Society

Demand for Key Devices Accelerating

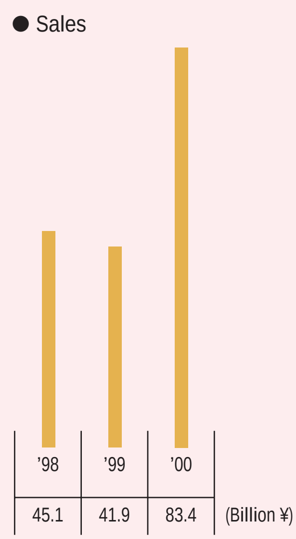
Sanyo is expecting rapid growth in a number of its main product fields, including such digital equipment as digital cameras, cellular phones and PHS phones, LCD projectors, and DVD-ROM systems. All these products incorporate Sanyo's key devices, including LCDs, batteries, and semiconductors. In addition, Sanyo's key devices are essential components of equipment needed for rapidly building information systems worldwide, including mobile communications networks and the Internet. In fiscal 2000, the total value of global shipments of these devices jumped sharply due to growth in global demand for telecommunications equipment and a recovery in demand for AV equipment in Asia. In the future, these key devices are expected to play an increasingly important role in—or be essential for—the high-speed transmission of large volumes of data as well as the creation of outstanding information systems that will pave the way for the realization of an IT-based society.

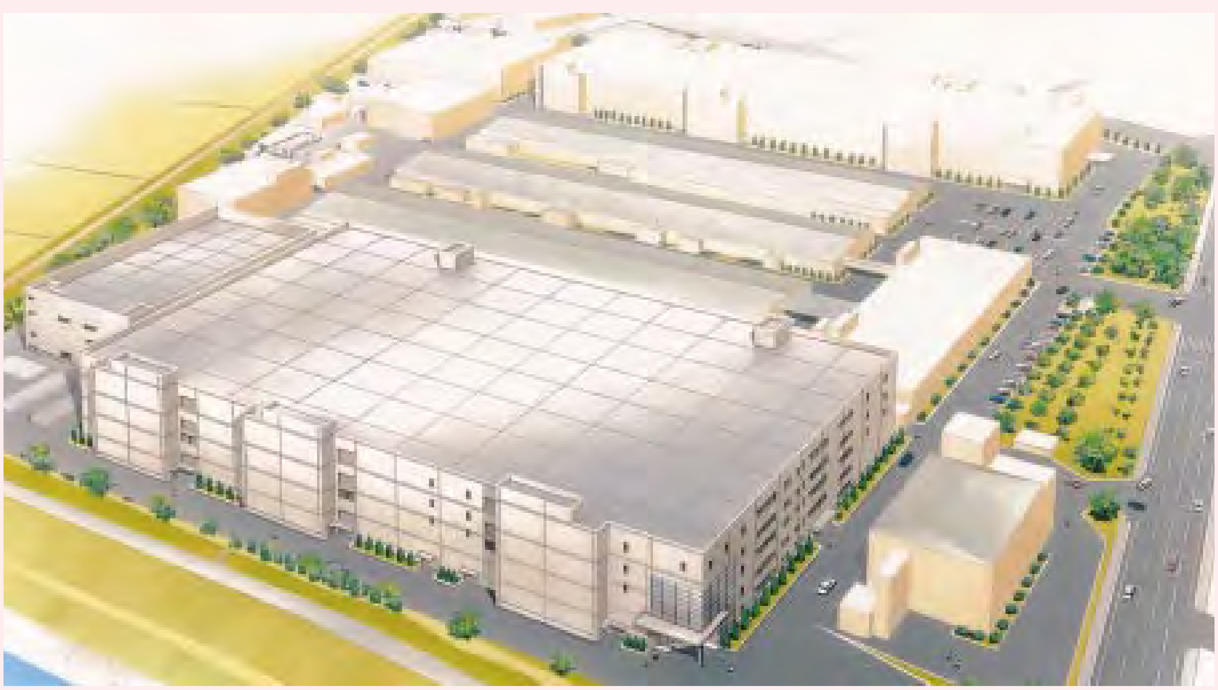
Sanyo's Key Device Business Continues to Grow

Up to now, Sanyo has developed and secured high market shares for key devices that support multimedia, including system LSIs, organic semiconductive electrolysis condensors, optical pickups, LCDs, rechargeable batteries used in laser products, computer peripheral equipment, and digital televisions. In the future, Sanyo will place great emphasis on offering devices used as bases for various systems while strengthening its device development capabilities as guided by the concept "Device-to-System Solutions."

Sanyo will also concentrate the allocation of its management resources toward the development of LCDs, beginning with TFT-LCDs, as well as batteries and semiconductors—pivotal components of other key devices. Sanyo aims to position its key device business as a driver of future growth. The following sections will examine the current status of—and future outlook for—Sanyo's LCD, battery, and semiconductor businesses.

LCDs are crucial components of information and communications equipment as well as of information-related products used at home. Demand has been soaring for LCDs for such principal applications as notebook PCs, LCD monitors, digital cameras, and LCD color televisions. Sanyo's LCD products include its low-temperature polysilicone (Poly-Si) TFT-LCDs. Thanks to a bright screen and high resolution, these TFT-LCDs have become an industry leader in such applications as digital video cameras. In spring 1999, Sanyo began shipping a wide-angle view panel that uses a vertical allocation method. Shipments of these panels for use in digital cameras have expanded gradually. TFT-LCDs offer particularly vivid color compared with other LCDs and have been experiencing rapid demand for use in LCD monitors for notebook PCs and regular PCs. Tottori Sanyo, one of Sanyo's principal production facilities, is manufacturing TFT-LCDs. Although Tottori Sanyo's first production plant is currently operating at full capacity, manufacturing 200,000 TFT-LCDs monthly. Accordingly, Tottori Sanyo invested ¥91 billion for the construction of a second plant scheduled for completion in spring 2001. Plans call for the new plant to manufacture large TFT-LCDs, mainly for LCD monitors, LCD televisions, notebook PCs, and regular PCs.





An artist's conception of the completion of Tottori Sanyo's second production plant

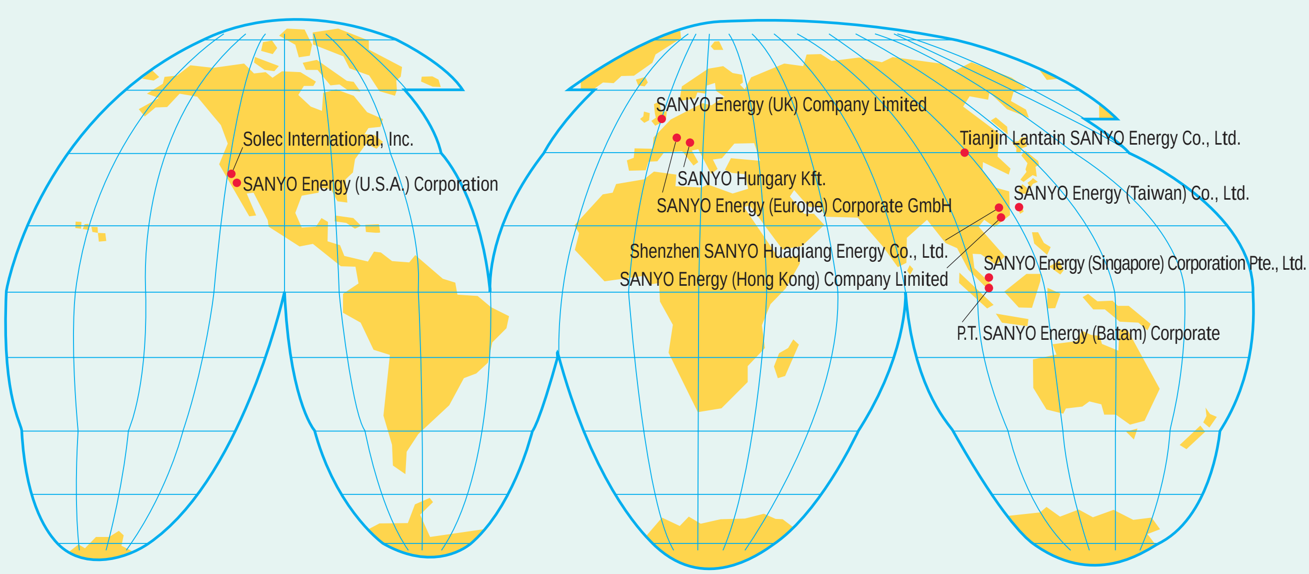
The trend toward lighter and more-compact portable devices, including cellular phones and PHS phones as well as personal digital assistants (PDAs), has been accompanied by a rising need for long-life batteries. Sanyo entered the market for rechargeable batteries in 1964 when it commenced mass production of nickel-cadmium batteries. Subsequently, Sanyo successively commercialized nickel-metal hydride batteries as well as lithium-ion batteries and has amassed a more-than-30% share of the global markets for both of these types of batteries. Sanyo's angular lithium-ion rechargeable batteries for cellular phones and PHS phones have maintained the top share of the domestic market thanks to their outstanding performance capabilities.

In September 1999, Sanyo also commercialized polymer batteries, which are likely to be the next generation of batteries. These polymer batteries use a gelatinous, leakage-free electrolyte and a thin-film aluminum laminate housing to form an exceptionally slim and light-weight design ideal for cellular phones, PHS phones, and PDAs.

Besides polymer batteries, other next-generation batteries include solar-cell power systems and large nickel-metal hydride rechargeable batteries for hybrid electric vehicles.

In solar-cell power systems, Sanyo's industrial- and civil-use solar power systems boast the industry's top-level performance capabilities. Using its amorphous-silicon (a-Si) forming technologies, in 1997 Sanyo developed a household-use hybrid HIT system (HIT Power 21) that combines the benefits of thin-film a-Si and high-efficiency single-crystal silicon, thereby significantly reducing generating loss. In October 1999, Sanyo developed a nickel-metal hydride battery for hybrid electric vehicles that improves acceleration and fuel performance.

Sanyo's Battery Production Companies



The semiconductor market is witnessing steady growth in demand for semiconductors for cellular phones and PHS phones, PCs, and PC peripheral equipment. At the same time, there has been a surge in demand for semiconductors for use in such multimedia equipment as digital cameras and DVD-ROM systems. Supported by such factors as the recovery in Asian economies, demand for semiconductors grew sharply from the beginning of fiscal 2000, and, by the middle of the fiscal year, the supply-demand balance had tightened significantly. According to the U.S. Semiconductor Assembly Council, total world shipments of semiconductors in March 2000 jumped 33.8% year on year, reaching an all-time high of US$15 billion. By geographic region, shipments from Japan soared 38.4%, and shipments from the Asian-Pacific region were up 46.1%, both of which underpinned overall growth in worldwide demand. Shipments from North America and Europe rose 25.1% and 29.2%, respectively. By type of product, shipments of flash memories surged 197.5% in the January–March 2000 quarter compared with the same period of the previous fiscal year.

Sanyo's principal semiconductor products include flash memories and flash microprocessors, metal-oxide semiconductor LSIs (MOS-LSIs), bipolar LSIs (BIP-LSIs), low-temperature Poly-Si TFT-LCDs for digital household electronic devices, and PC peripheral equipment. Demand for CD-R/CD-RW drives soared to 18 million units in fiscal 2000. Sales of actuator-use driver integrated circuits (ICs) for PC peripheral equipment were also favorable. Demand for the ECoP Series of transistors, primarily for use in cellular phones and PHS phones, also advanced sharply.

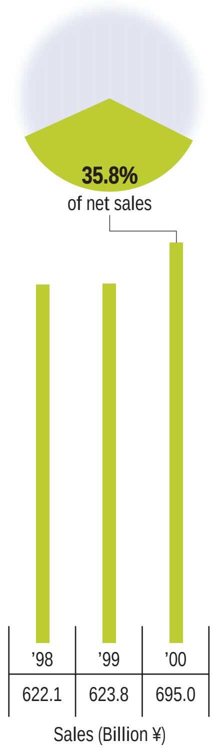
The Company is maximizing its technological capabilities by continuing to develop outstanding products in collaboration with other leading companies. In February 2000, the Company and NEC Corp. concluded an agreement for technology sharing and carrying out commissioned production of TFT-LCD drivers. By combining its LCD technologies with NEC's driver IC technologies, the Company has entered a rapidly growing market for electronic devices.

In fiscal 2000, the Company formed a development, production, and sales agreement for flash memories with Silicon Storage Technology Inc., of the United States. Also, through an agreement with IBM, of the United States, Sanyo is developing LSI chip sets for broadcasting satellite (BS) digital television broadcasting. Sanyo has also formed a tie-up with Kodak for the development of organic electroluminescent displays, which are currently gaining the spotlight as next-generation flat panel displays. Through this agreement, Sanyo will combine its low-temperature Poly-Si TFT-LCDs with Kodak's organic electroluminescent display technologies to develop the world's first active matrix full-color electroluminescent display. Organic electroluminescent displays feature a self-luminescent element that obviates the need for backlighting as is the case with LCDs. In small surface displays, these new-generation displays have attracted attention. They offer such outstanding features as high resolution, high-speed responses, low-voltage drives, low power consumption, and thinness. In addition, the contents of this display are clearly visible from any viewing angle. Such distinctive features are not provided with conventional LCDs. Sanyo has also succeeded in developing the world's first next-generation full-color display.

Review of Operations

AV·Information and Communications Equipment

Home Appliances | Industrial and Commercial Equipment | Electronic Devices | Batteries | Others



Color TVs
VCRs
Video Cameras
Digital Cameras
LCD Projectors
High-Definition TV Systems
CD Players
Minidisc Players
Automotive Stereo Components
CDs
Optical Pickups
PCs
Facsimiles
Cordless Telephones
Cellular Phones
PHS Phones
PHS Base Stations
Medical Computer Systems
Hotel Computer Systems
Portable Navigation Systems
CRT Displays
LCD Monitors
CD-ROM Systems
DVD-ROM Systems

Sales of AV·Information and Communications Equipment jumped 11.4% from the previous fiscal year, to ¥694,975 million (US$6,556 million), accounting for 35.8% of Sanyo's consolidated net sales.

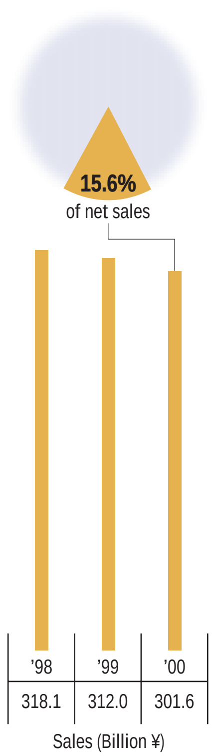
Looking at sales of principal products, sales of telephones surged 51.0%, particularly of cellular phones and PHS phones. Although sales of TVs declined 2.8%, sales of digital cameras and LCD projectors increased sharply.

Domestic sales of AV·Information and Communications Equipment rose 18.4%, to ¥311,492 million (US$2,939 million), and accounted for 31.7% of total domestic sales. The sales performance in the domestic market mirrored overall sales trends in this product category. Sanyo recorded sharp increases in sales of cellular phones and PHS phones, digital cameras, and LCD projectors. Among these products, digital cameras posted a twofold increase in sales.

Overseas sales of AV·Information and Communications Equipment increased 6.3%, to ¥383,483 million (US$3,617 million), or 40.1% of total overseas sales, particularly in sales of cellular phones.

AV·Information and Communications Equipment | Industrial and Commercial Equipment | Electronic Devices | Batteries | Others

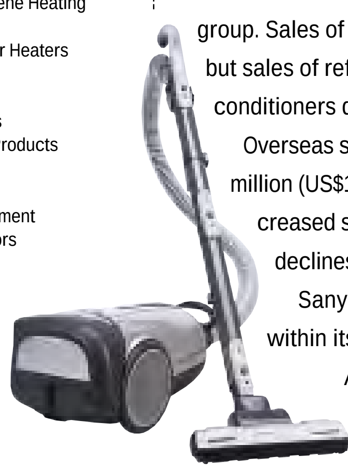
Home Appliances



Refrigerators
Freezers
Washing Machines
Clothes Dryers
Microwave Ovens
Air Conditioners
Vacuum Cleaners
Electric Fans
Toasters, Rice Cookers, Water Purifiers and Waste Disposers, and Other Household Kitchen Appliances
System Kitchens
Electric, Gas, and Kerosene Heating Equipment
Gas and Kerosene Water Heaters
Dehumidifiers
Cold-Air Blowers
Motor-Assisted Bicycles
Electronic and Electric Products for Bicycles
Home-Use Pumps
Medical Sterlizing Equipment
Medical-Use Refrigerators
Ultralow-Temperature Freezers
Automatic Tablet-Wrapping Machines
Compressors for Freezers/Refrigerators and Air Conditioners

Sales of Home Appliances shrank 3.3%, to ¥301,637 million (US$2,846 million), or 15.6% of consolidated net sales. Although sales of microwave ovens and washing machines increased, overall sales of home appliances declined due to a 2.9% contraction in sales of air conditioners and a precipitous decline in sales of refrigerators.

Domestic sales of Home Appliances decreased 3.2%, to ¥195,665 million (US$1,846 million), accounting for 20.0% of total domestic net sales. Domestic sales results were similar to those for the entire product group. Sales of microwave ovens and washing machines were up but sales of refrigerators, household kitchen appliances, and air conditioners declined from the previous fiscal year.



Overseas sales of Home Appliances decreased 3.6%, to ¥105,972 million (US$1,000 million). Although sales of microwave ovens increased sharply, those of compressors and refrigerators posted declines exceeding 10.0%.

Sanyo aims to establish its air conditioner operations within its Home Appliances business as a separate company. Also, in order to reduce fixed costs, Sanyo integrated production of refrigerators into its Gunma Plant.

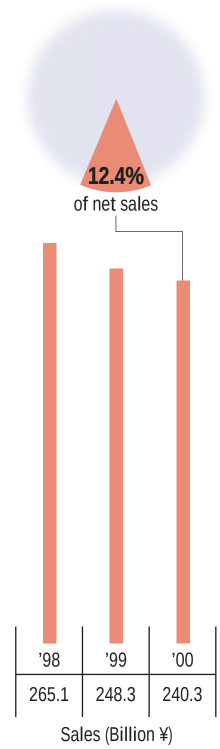
Industrial and Commercial Equipment

Sales of Industrial and Commercial Equipment declined 3.2%, to ¥240,325 million (US$2,267 million), making up 12.4% of consolidated net sales. Looking at sales of principal products, sales of vending machines declined sharply, and sales of supermarket showcases and package air conditioners decreased.

Domestic sales declined 8.0%, to ¥204,836 million (US$1,932 million), and made up 20.7% of total domestic sales as a result of lower sales of vending machines, supermarket showcases, and absorption-type chiller/heaters.

Overseas sales surged 38.1%, to ¥35,489 million (US$335 million). Although sales of package air conditioners declined, Sanyo posted higher sales of supermarket show-cases and absorption-type chiller/heaters.

Refrigerator/Freezer/Chillers
Supermarket Showcases
Prefabricated Freezers and Refrigerators
Condensing Units
Package Air Conditioners
Gas-Engine Heat Pump Air Conditioners
Absorption Chiller/Heaters
Vending Machines
Beverage Dispensers
Golf Cart Systems
Automatic Chip Mounters

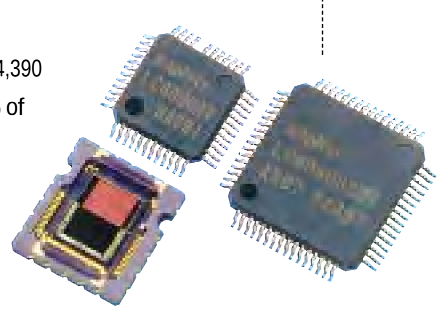


Electronic Devices

Sales of Electronic Devices advanced 11.7%, to ¥392,726 million (US$3,705 million), or 20.2% of consolidated net sales. Sales of MOS-LSIs and thick-film ICs contracted, but sales of LCDs nearly doubled. As explained in the special feature section of this annual report, Sanyo is responding to the expected growth in the market for LCDs by making large investments in new production facilities. Sanyo also foresees sharp growth for multimedia products.

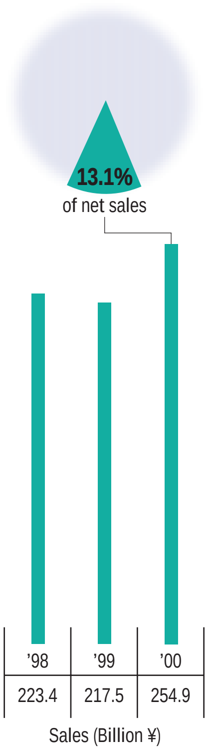
Domestic sales advanced 5.3%, to ¥158,336 million (US$1,494 million), and accounted for 16.2% of domestic sales. Although sales of thick-film ICs and MOS-LSIs drifted lower, Sanyo recorded a more-than-twofold increase in domestic sales of LCDs.

Overseas sales increased 16.4%, to ¥234,390 million (US$2,211 million), making up 24.4% of total overseas sales. Sales of MOS-LSIs declined, but overseas sales of LCDs nearly doubled.



MOS-LSIs
BIP-LSIs
Thick-Film ICs
LCDs
LEDs
Transistors
Diodes
Semiconductor Lasers
Organic Semiconductor Capacitors
Electronic Components

Batteries



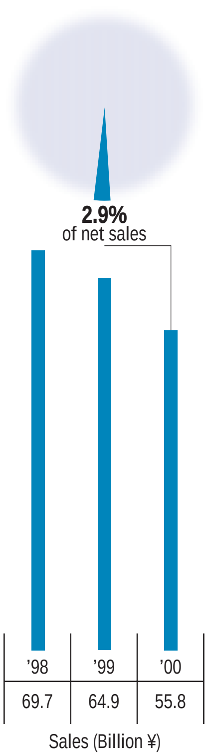
Nickel-Cadmium Rechargeable Batteries
Lithium-Ion Rechargeable Batteries
Nickel-Metal Hydride Rechargeable Batteries
Lithium Batteries
Alkaline Batteries
Manganese Batteries
Solar Cells
Solar-Cell Power Systems
Shavers

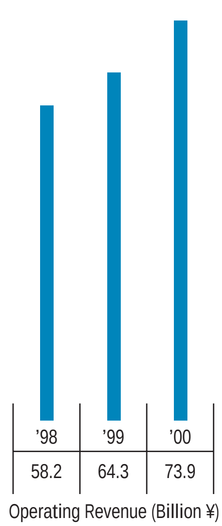
Sales of Batteries surged 17.2%, to ¥254,906 million (US$2,405 million), or 13.1% of consolidated net sales. Although sales of nickel-cadmium rechargeable batteries declined slightly, sales of lithium-ion rechargeable batteries and nickel-metal hydride rechargeable batteries for digital cameras soared. Sanyo also recorded higher sales of primary batteries.

Domestic sales dipped 0.2%, to ¥66,968 million (US$632 million), making up 6.8% of total domestic sales. Sales of nickel-cadmium rechargeable and primary batteries declined, but sales of nickel-metal hydride rechargeable batteries climbed more than 50.0%. Sales of lithium-ion rechargeable batteries also increased.

Overseas sales of Batteries soared 25.0%, to ¥187,938 million (US$1,773 million), making up 19.6% of total overseas sales. Sanyo recorded growth in sales of all types of batteries, posting particularly notable increases in sales of lithium-ion rechargeable batteries and nickel-metal hydride rechargeable batteries.

Others





Sales of Others include sales of various items, such as imported goods, molds, and various parts. The operations of Others also include providing various services, such as financial services, maintenance, and distribution, revenues from which are recorded in operating revenue. In fiscal 2000, operating revenue rose 14.9% from the previous fiscal year, to ¥73,875 million (US$697 million). Among noteworthy developments during the fiscal year under review, Sanyo focused on leasing information/communications equipment and business equipment to companies as well as on providing corporate loans, automobile loans, and housing remodelling loans to individuals, while in maintenance areas, Sanyo began operating its Technical Center as it strives to secure revenue. Also, in distribution-related areas, Sanyo strengthened its information technology capabilities to provide high-quality distribution services.

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2000, 1999, 1998 and 1997, and four-month period ended March 31, 1996

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2000	1999	1998	1997	1996 (Note d)	**2000**
For the year or period:						
Net sales	**¥1,940,378**	¥1,818,153	¥1,866,426	¥1,793,004	¥ 513,356	**$18,305,453**
Operating income	**62,095**	31,768	62,352	61,309	13,501	**585,802**
Income (loss) before income taxes and equity in earnings (losses)	**31,145**	(14,780)	38,267	41,486	3,485	**293,821**
Net income (loss)	**21,686**	(25,883)	12,320	17,674	(3,738)	**204,585**
Capital expenditures	**90,226**	88,811	133,103	119,273	34,962	**851,189**
Depreciation and amortization	**98,711**	102,952	101,091	99,969	30,118	**931,236**
At the year- or period-end:						
Total stockholders' equity	**¥ 665,454**	¥ 695,615	¥ 750,572	¥ 775,805	¥ 809,628	**$ 6,277,868**
Total assets	**2,706,055**	2,662,525	2,641,894	2,518,056	2,462,342	**25,528,821**
Per share:						
(yen and U.S. dollars) (Note b):						
Net income (loss):						
Basic	**¥ 11.5**	¥ (13.5)	¥ 6.3	¥ 9.1	¥ (1.9)	**$ 0.108**
Diluted	**11.4**	(13.5)	6.3	9.0	(1.9)	**0.108**
Cash dividends declared	**5.0**	5.0	5.0	5.0	1.7	**0.047**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes b and c):						
Net income (loss):						
Basic	**¥ 57.5**	¥ (67.5)	¥ 31.5	¥ 45.5	¥ (9.5)	**$ 0.542**
Diluted	**57.0**	(67.5)	31.5	45.0	(9.5)	**0.538**
Cash dividends declared	**25.0**	25.0	25.0	25.0	8.5	**0.236**
Weighted average number of shares (thousands) (Note b)	**1,889,477**	1,920,197	1,951,099	1,951,062	1,950,926	
Sales by product category:						
AV·Information and Communications Equipment	**¥ 694,975**	¥ 623,774	¥ 622,079	¥ 585,498	¥ 166,961	**$ 6,556,368**
Home Appliances	**301,637**	311,987	318,092	379,440	105,928	**2,845,632**
Industrial and Commercial Equipment	**240,325**	248,269	265,068	263,692	76,324	**2,267,217**
Electronic Devices	**392,726**	351,727	368,097	327,710	101,555	**3,704,962**
Batteries	**254,906**	217,474	223,350	183,289	45,376	**2,404,774**
Others	**55,809**	64,922	69,740	53,375	17,212	**526,500**
Net sales	**¥1,940,378**	¥1,818,153	¥1,866,426	¥1,793,004	¥ 513,356	**$18,305,453**
Sales by area:						
Japan	**¥ 981,682**	¥ 956,538	¥ 991,726	¥1,003,665	¥ 305,069	**$ 9,261,151**
Asia	**405,493**	368,498	379,638	344,301	90,356	**3,825,406**
North America	**361,177**	307,949	298,305	258,334	66,175	**3,407,330**
Europe	**155,389**	146,272	142,731	122,644	37,338	**1,465,934**
Others	**36,637**	38,896	54,026	64,060	14,418	**345,632**
Net sales	**¥1,940,378**	¥1,818,153	¥1,866,426	¥1,793,004	¥ 513,356	**$18,305,453**
Other information:						
Price range of common stock (Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 694**	¥ 434	¥ 535	¥ 680	¥ 672	**$ 6.55**
Low	**385**	297	290	404	536	**3.63**
Number of employees (at the year- or period-end)	**83,519**	77,071	67,887	67,827	56,612	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 14 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.
(d) Effective December 1, 1995, SANYO Electric Co., Ltd. and its major subsidiaries changed fiscal year-ends from November 30 to March 31. Accordingly, fiscal 1996 includes only 4 months of operations whereas the other fiscal periods consist of 12 months.

Financial Review

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2000, 1999 and 1998

Overview

In fiscal 2000, overall favorable conditions prevailed in the world economy, as the U.S. economy sustained robust growth, the European economy continued to expand gradually, and the economies of Asia showed signs of recovery. In Japan, despite the positive effects of such government policies as a reduction in housing taxes and the implementation of public works spending, sluggishness in personal consumption and private-sector capital investment continued and the Japanese economy was unable to sustain a full-scale recovery.

Against this background, Sanyo restructured its businesses and concentrated the allocation of its management resources in growing fields as it worked to raise the efficiency of its operations.

As a result of these efforts, consolidated net sales rose 6.7%, to ¥1,940.4 billion (US$18,305 million). Operating revenue jumped 14.9%, to ¥73.9 billion (US$697 million). At the profit level, operating income was up ¥30.3 billion, to ¥62.1 billion (US$586 million). Income before income taxes and equity in earnings amounted to ¥31.1 billion (US$294 million), a difference of ¥45.9 billion from the previous fiscal year's loss before income taxes and equity in earnings of ¥14.8 billion. Net income improved dramatically, by ¥47.6 billion, to ¥21.7 billion (US$205 million), from a net loss in the previous year.

Segment Information

Effective April 1, 1999, Sanyo realigned its business segments in order to reflect segmental operating activities and results more appropriately and more closely in line with newly adopted business group companies, which have replaced former business headquarters. Under the revised segment reporting, Sanyo's operations, which were formerly reported in two segments, Consumer Electronics and Information/Communications & Industrial/Commercial, are now classified into six segments: AV·Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others. The Others segment primarily includes financial services, information services, and logistics.

In geographic segment reporting, the North America segment, which was previously included in Others, has been designated as a separate geographic segment, reflecting its increasing business importance.

The following tables present information by business and geographic segments as of and for the years ended March 31, 2000 and 1999, and have been prepared in accordance with Japanese generally accepted accounting standards. (The 1999 presentation has been restated to conform to the revised segment reporting.)

Business Segment (Unaudited)

	2000						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	External	Intersegment	Total				
AV·Information and Communications Equipment	¥ 695.0	¥ 2.5	¥ 697.5	¥11.0	¥ 390.1	¥16.3	¥17.5
Home Appliances	301.6	4.9	306.5	(5.7)	288.5	13.0	9.5
Industrial and Commercial Equipment	240.3	3.1	243.4	9.8	207.3	5.0	3.5
Electronic Devices	392.7	11.0	403.7	17.3	600.9	41.0	26.9
Batteries	255.0	5.1	260.1	35.7	257.8	15.9	23.4
Others	129.7	12.8	142.5	15.2	567.2	3.3	5.1
Sub-total	2,014.3	39.4	2,053.7	83.3	2,311.8	94.5	85.9
Corporate and eliminations	—	(39.4)	(39.4)	(21.2)	394.3	4.2	4.3
Total	¥2,014.3	¥ —	¥2,014.3	¥62.1	¥2,706.1	¥98.7	¥90.2
	Millions of U.S. Dollars						
AV·Information and Communications Equipment	$ 6,557	$ 23	$ 6,580	$104	$ 3,680	$154	$165
Home Appliances	2,845	47	2,892	(54)	2,722	122	90
Industrial and Commercial Equipment	2,267	29	2,296	93	1,955	47	33
Electronic Devices	3,705	104	3,809	163	5,669	387	254
Batteries	2,406	48	2,454	337	2,432	150	220
Others	1,223	121	1,344	143	5,351	31	48
Sub-total	19,003	372	19,375	786	21,809	891	810
Corporate and eliminations	—	(372)	(372)	(200)	3,720	40	41
Total	$19,003	$ —	$19,003	$586	$25,529	$931	$851

	1999						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditures
	External	Intersegment	Total				
AV·Information and Communications Equipment	¥ 623.8	¥ 0.5	¥ 624.3	¥ 2.5	¥ 404.8	¥ 14.7	¥13.4
Home Appliances	312.0	3.2	315.2	(11.2)	306.1	14.4	11.1
Industrial and Commercial Equipment	248.2	2.2	250.4	10.9	222.4	4.8	4.5
Electronic Devices	351.7	7.7	359.4	13.9	523.9	44.9	27.9
Batteries	217.5	4.2	221.7	25.2	214.2	16.2	21.7
Others	129.2	12.7	141.9	13.1	523.5	2.9	4.3
Sub-total	1,882.4	30.5	1,912.9	54.4	2,194.9	97.9	82.9
Corporate and eliminations	—	(30.5)	(30.5)	(22.6)	467.6	5.1	5.9
Total	¥1,882.4	¥ —	¥1,882.4	¥31.8	¥2,662.5	¥103.0	¥88.8

Geographic Segment (Unaudited)

	2000				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	**¥1,402.5**	**¥381.1**	**¥1,783.6**	**¥61.9**	**¥1,945.7**
Asia	**231.9**	**201.9**	**433.8**	**8.4**	**182.9**
North America	**238.8**	**5.2**	**244.0**	**9.3**	**137.6**
Others	**141.1**	**1.1**	**142.2**	**3.7**	**45.5**
Sub-total	**2,014.3**	**589.3**	**2,603.6**	**83.3**	**2,311.7**
Corporate and eliminations	**—**	**(589.3)**	**(589.3)**	**(21.2)**	**394.4**
Total	**¥2,014.3**	**¥ —**	**¥2,014.3**	**¥62.1**	**¥2,706.1**
	Millions of U.S. Dollars				
Japan	**$13,231**	**$3,595**	**$16,826**	**$584**	**$18,356**
Asia	**2,188**	**1,905**	**4,093**	**79**	**1,725**
North America	**2,253**	**49**	**2,302**	**88**	**1,298**
Others	**1,331**	**10**	**1,341**	**35**	**429**
Sub-total	**19,003**	**5,559**	**24,562**	**786**	**21,808**
Corporate and eliminations	**—**	**(5,559)**	**(5,559)**	**(200)**	**3,721**
Total	**$19,003**	**$ —**	**$19,003**	**$586**	**$25,529**

	1999				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,381.5	¥252.6	¥1,634.1	¥40.3	¥1,864.5
Asia	236.2	173.9	410.1	8.5	177.4
North America	202.4	0.5	202.9	4.3	118.0
Others	62.3	6.8	69.1	1.3	63.4
Sub-total	1,882.4	433.8	2,316.2	54.4	2,223.3
Corporate and eliminations	—	(433.8)	(433.8)	(22.6)	439.2
Total	¥1,882.4	¥ —	¥1,882.4	¥31.8	¥2,662.5

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.

Net Sales and Operating Revenue by Segment

Performance by business and geographic segment is shown as follows.

Business Segments

● AV·Information and Communications Equipment

Although sales of VCRs declined due to a fall in market prices, sales of information and household communications products, including cellular phones and PHS phones, digital cameras, and LCD projectors, were brisk.

As a result of these developments, sales rose 11.7%, to ¥697.5 billion (US$6,580 million). Operating income jumped ¥8.5 billion, to ¥11.0 billion (US$104 million).

● Home Appliances

New products, such as microwave ovens, washing machines, and vacuum cleaners, performed favorably. However, sales of refrigerators and air conditioners declined, owing to sluggish personal consumption.

Accordingly, sales in Home Appliances slipped 2.8%, to ¥306.5 billion (US$2,892 million). An operating loss of ¥5.7 billion (US$54 million) was recorded, an improvement of ¥5.5 billion from the previous fiscal year.

● Industrial and Commercial Equipment

Although sales of chip mounters were favorable, sales of showcases, vending machines, and package air conditioners were generally sluggish.

As a result, Industrial and Commercial Equipment's sales dipped 2.8%, to ¥243.4 billion (US$2,296 million). Operating income decreased ¥1.1 billion, to ¥9.8 billion (US$93 million).

● Electronic Devices

Sales of semiconductors declined owing to a fall in market prices. However, sales of such electronic components as LCDs and capacitors for PCs as well as cellular phones and PHS phones increased.

As a result, for Electronic Devices, sales rose 12.3%, to ¥403.7 billion (US$3,809 million). Operating income climbed ¥3.4 billion, to ¥17.3 billion (US$163 million).

● Batteries

Sales of nickel-metal hydride rechargeable batteries for PCs and digital cameras and lithium-ion rechargeable batteries for cellular phones and PHS phones increased, while nickel-cadmium rechargeable batteries for power tools and other products remained robust.

As a result, Batteries' sales surged 17.3%, to ¥260.1 billion (US$2,454 million). Operating income expanded ¥10.5 billion, to ¥35.7 billion (US$337 million).

● Others

Sales and operating revenue in this segment edged up 0.4%, to ¥142.5 billion (US$1,344 million), due primarily to expanding corporate loan operations and steadily increasing credit operations. As a result, operating income rose ¥2.1 billion, to ¥15.2 billion (US$143 million).

Geographic Segments

● Japan

Sales and operating revenue rose 9.1%, to ¥1,783.6 billion (US$16,826 million), thanks to robust exports, mainly to North America. Operating income advanced ¥21.6 billion, to ¥61.9 billion (US$584 million).

● Asia

Sales and operating revenue increased 5.8%, to ¥433.8 billion (US$4,093 million), owing to a recovery in Asian economies. However, operating income slipped ¥0.1 billion, to ¥8.4 billion (US$79 million), due to intensifying price competition.

● North America

Sales and operating revenue surged 20.3%, to ¥244.0 billion (US$2,302 million), supported by a brisk economy. Operating income increased ¥5.0 billion, to ¥9.3 billion (US$88 million).

● Others

Sales and operating revenue soared 105.8%, to ¥142.2 billion (US$1,341 million). Operating income rose ¥2.4 billion, to ¥3.7 billion (US$35 million).

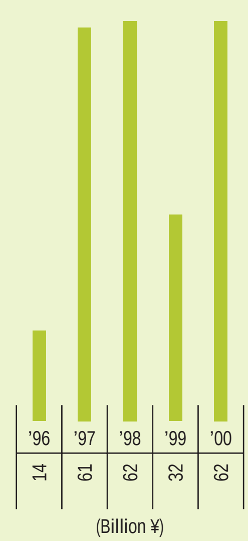
Costs, Expenses, and Earnings

Cost of sales amounted to ¥1,599.2 billion (US$15,087 million), an increase of ¥90.1 billion from the previous fiscal year. The cost of sales ratio declined 0.6 percentage point, to 82.4%, from 83.0% in the preceding fiscal year, due primarily to reduced unit costs resulting from a production volume increase.

On the other hand, although SG&A expenses rose ¥11.4 billion, SG&A expenses as a percentage of net sales declined 0.6 percentage point, to 18.2%, from 18.8% in the previous fiscal year, thanks to efforts to reduce expenses in all principal categories.

NET SALES

OPERATING INCOME



Note: Fiscal 1996 was only a four-month period.

R&D expenses increased 6.3%, or ¥5.9 billion, to ¥99.6 billion (US$940 million). These expenditures were used primarily for the development of electronic devices and multimedia products. R&D expenses as a percentage of net sales amounted to 5.1%, down 0.1 percentage point from the previous fiscal year.

Due to a rise in gross profits, resulting from an increase in net sales and operating revenue, as analyzed in previous sections, operating income surged 95.5%, or ¥30.3 billion, to ¥62.1 billion (US$586 million). Operating income as a percentage of net sales thus rose to 3.2%, from 1.7% in the previous fiscal year.

Other expenses, net, declined ¥15.6 billion, to ¥31.0 billion (US$292 million).

As a result of the preceding factors, income before income taxes and equity in earnings amounted to ¥31.1 billion (US$294 million), compared with a loss of ¥14.8 billion in the previous fiscal year. Income taxes amounted to ¥10.7 billion (US$101 million).

Due to these factors, Sanyo recorded net income of ¥21.7 billion (US$205 million), representing a ¥47.6 billion improvement on a net loss in the previous fiscal year.

Basic net income and diluted net income per share were ¥11.5 (US$0.108) and ¥11.4 (US$0.108), respectively. Basic net income and diluted net income per American Depositary Share were ¥57.5 (US$0.542) and ¥57.0 (US$0.538), respectively.

Financial Condition

From the perspective of raising the efficiency of total capital employed amid the current severe market conditions, Sanyo focused on concentrating the allocation of its management resources. As a result, the increase in total assets at fiscal year-end was held to 1.6%, or ¥43.5 billion, resulting in ¥2,706.1 billion (US$25,529 million) of total assets at fiscal year-end.

By type of asset, total current assets rose ¥22.6 billion, to ¥1,590.7 billion (US$15,006 million). This increase was due to a ¥15.8 billion expansion in notes and accounts receivable, owing to the increase in sales, and a ¥24.7 billion advance in finance receivables, triggered by growth in credit business. Other factors underlying the increase in current assets included a ¥23.7 billion increase in cash and a ¥5.0 billion rise in time deposits that resulted from an improvement in cash flows, as detailed in the following section.

Investments and advances increased ¥14.5 billion, to ¥208.7 billion (US$1,969 million).

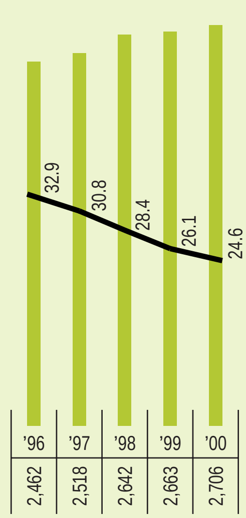
Sanyo invested a total of ¥90.2 billion (US$851 million) in property, plant and equipment, primarily in electronic device and battery related fields.

Total liabilities increased ¥56.4 billion, to ¥2,000.3 billion (US$18,871 million). Of this amount, total short- and long-term interest-bearing debt decreased ¥60.9 billion, from ¥1,207.0 billion at the previous fiscal year-end, to ¥1,146.1 billion (US$10,812 million), as a result of short-term borrowings dropping ¥74.6 billion, to ¥412.7 billion (US$3,893 million). On the other hand, after procurements and repayments, long-term debt, including current portion, increased ¥13.7 billion, to ¥733.4 billion (US$6,919 million). By category, principal items included ¥45.0 billion (US$425 million) from the issue of six new uncollateralized bonds and ¥20.0 billion (US$189 billion) for regularly scheduled redemptions.

As a result of the preceding factors, working capital increased ¥9.9 billion, to ¥366.5 billion (US$3,458 million). The current ratio edged up to 1.30, from 1.29 at the previous fiscal year-end.

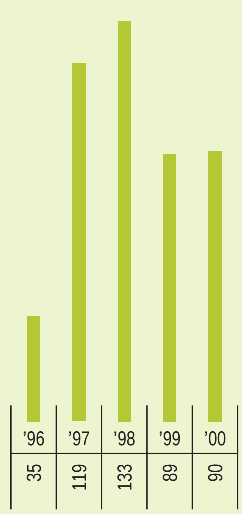
Total stockholders' equity decreased ¥30.2 billion, to ¥665.5 billion (US$6,278 million). The main factors underlying the increase in stockholders' equity were a ¥12.3 billion rise in retained

TOTAL ASSETS AND EQUITY RATIO



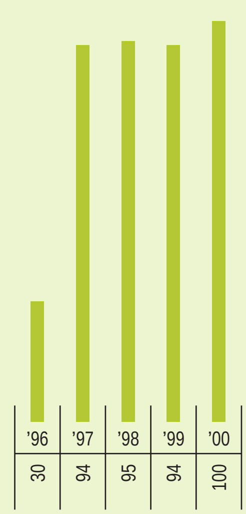
(Billion ¥, %)

CAPITAL EXPENDITURES



(Billion ¥)

R&D EXPENSES



(Billion ¥)

earnings accompanying the expansion in net income, a ¥15.1 billion decrease in additional paid-in capital because of the retirement of treasury stock, and a ¥27.3 billion increase in accumulated other comprehensive loss. Among the items comprising the increase in accumulated other comprehensive loss, foreign currency translation adjustments accounted for a loss of ¥11.4 billion, although down from a loss of ¥11.7 billion at the previous fiscal year-end, and minimum pension liability adjustments amounted to a loss of ¥19.0 billion, compared to a gain of ¥3.9 billion at the previous fiscal year-end. As a result of these factors, the stockholders' equity ratio declined 1.5 percentage points, to 24.6%, from 26.1% at the previous fiscal year-end. ROE at fiscal year-end stood at 3.2%, up sharply from 1.6% for fiscal 1998. (The comparison is made with fiscal 1998 because Sanyo posted a net loss in fiscal 1999.)

Cash Flows

Cash and cash equivalents (hereafter referred to as cash) at the end of the fiscal period amounted to ¥341.5 billion (US$3,221 million), up ¥28.8 million, or 9.2%, from the previous fiscal year-end. Despite cash outflows resulting from the repayment of loans and capital investment, this rise in cash reflected a strong cash inflow from operating activities.

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥99.2 billion from the previous fiscal year, to ¥166.9 billion (US$1,574 million). This was due to ¥21.7 billion in net income, compared to a net loss of ¥25.9 billion for fiscal 1999, as a result of robust performances in the segments of AV·Information and Communications Equipment and Batteries as well as an inflow of ¥30.9 billion resulting from the decrease in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥55.6 billion from the previous fiscal year, to ¥75.8 billion (US$715 million). This reflected a ¥36.4 billion decrease in payments for purchases of property, plant and equipment and an ¥11.1 billion improvement on the cash flows from short-term investments.

Net Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥64.0 billion (US$604 billion), a difference of ¥92.4 billion from the ¥28.5 billion provided by financing activities in fiscal 1999. This reflects a ¥102.7 billion decline in proceeds from the issuance of long-term debt, to ¥149.1 billion (US$1,406 million), because a high level of cash flow from operating activities made it possible to reduce the balance of long-term debt.

Free cash flow—the net of cash from operating activities and cash from investing activities—amounted to ¥91.1 billion (US$859 million), a ¥154.9 billion difference from a negative free cash flow of ¥63.8 billion in the previous fiscal year.

Outlook

Looking at the world economy, despite various uncertainties, growth in IT-related businesses is expected to support expansion of the U.S. economy. In Europe, despite such factors as uncertainty regarding the stability of the euro and other currencies, the European economy is anticipated to continue an overall expansion. In addition, the recoveries in Asian economies are expected to become even more pronounced. In Japan, despite ongoing weakness in consumer spending, the Japanese economy is expected to enter a self-sustaining recovery phase inspired by an increase in exports, thanks to recovering economies in Asia and a rise in domestic private-sector capital investment, mainly in IT-related sectors.

Within this environment, Sanyo will continue to strive toward its goal of excellence in terms of global consolidated operations, progress with its policies of selectivity and concentration in its key business fields, and carry out a speedy and bold reform of its operations. Specifically, Sanyo will implement the following measures.

1) Expand the foundation of its business in growth markets

Sanyo will vigorously expand its business in growing markets for information networks and concentrate the allocation of its management resources on the development of portable information terminals, mainly digital cameras as well as cellular phones and PHS phones.

2) Strengthen our key device business

In such key device fields as rechargeable batteries, LCDs, semiconductors, and electronic components, which are core Sanyo businesses, Sanyo will continue to focus on the independent development of its proprietary technologies.

3) Achieve low-cost operations in household electronic appliances and other mature markets

For existing product groups, such as household electronic appliances—which represent large markets on a global scale and are experiencing intensifying competition—Sanyo is currently reorganizing its global manufacturing and sales bases and bolstering its cost-competitiveness.

The 21st century is expected to be the century of advanced information-based societies and of the environment, reflecting the increased importance of IT and environmental protection. Business domains in the 21st century will witness the creation of new demand through advances in IT as well as the emergence of new-economy business models. Thus, competition is expected to further intensify, and companies with management capable of responding appropriately to a changing environment will prevail.

Based on its digital and clean-energy technologies, which represent core competencies, Sanyo intends to focus management resources on new businesses and build a business structure firmly positioned in growth markets.

Consolidated Statements of Income

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2000	1999	1998	**2000**
Sales and operating revenue:				
Net sales (Note 5)	**¥1,940,378**	¥1,818,153	¥1,866,426	**$18,305,453**
Operating revenue	**73,875**	64,286	58,249	**696,934**
	2,014,253	1,882,439	1,924,675	**19,002,387**
Costs and expenses (Note 13):				
Cost of sales (Note 5)	**1,599,231**	1,509,130	1,510,709	**15,087,085**
Selling, general and administrative	**352,927**	341,541	351,614	**3,329,500**
	1,952,158	1,850,671	1,862,323	**18,416,585**
Operating income	**62,095**	31,768	62,352	**585,802**
Other income:				
Interest and dividends	**9,271**	12,228	12,583	**87,462**
Other (Note 6)	**27,932**	17,775	22,285	**263,510**
	37,203	30,003	34,868	**350,972**
Other expenses:				
Interest	**27,914**	31,279	33,001	**263,340**
Foreign currency transaction losses, net	**8,734**	3,993	5,482	**82,396**
Devaluation and disposal of investments and bad debts	**—**	19,573	—	**—**
Other	**31,505**	21,706	20,470	**297,217**
	68,153	76,551	58,953	**642,953**
Income (loss) before income taxes and equity in earnings (losses)	**31,145**	(14,780)	38,267	**293,821**
Income taxes (Note 12):				
Current	**31,367**	9,321	26,061	**295,915**
Deferred	**(20,654)**	2,130	(1,158)	**(194,849)**
	10,713	11,451	24,903	**101,066**
Income (loss) before equity in earnings (losses)	**20,432**	(26,231)	13,364	**192,755**
Equity in earnings (losses) of affiliates and unconsolidated subsidiaries (Note 5)	**1,254**	348	(1,044)	**11,830**
Net income (loss)	**¥ 21,686**	¥ (25,883)	¥ 12,320	**$ 204,585**

	Yen			U.S. Dollars (Note 2)
Per share:				
Net income (loss) (Note 14):				
Basic	**¥ 11.5**	¥ (13.5)	¥ 6.3	**$ 0.108**
Diluted	**11.4**	(13.5)	6.3	**0.108**
Cash dividends declared	**5.0**	5.0	5.0	**0.047**
Per American Depositary Share:				
Net income (loss):				
Basic	**¥ 57.5**	¥ (67.5)	¥ 31.5	**$ 0.542**
Diluted	**57.0**	(67.5)	31.5	**0.538**
Cash dividends declared	**25.0**	25.0	25.0	**0.236**
Weighted average number of shares (thousands)	**1,889,477**	1,920,197	1,951,099	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
ASSETS	**2000**	1999	**2000**
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 84,571**	¥ 60,856	**$ 797,840**
Time deposits	**256,891**	251,856	**2,423,500**
	341,462	312,712	**3,221,340**
Short-term investments (Notes 6 and 10)	**241,533**	256,924	**2,278,613**
Receivables:			
Notes and accounts	**374,329**	358,577	**3,531,406**
Finance receivables (Note 3)	**174,992**	150,270	**1,650,868**
Affiliates and unconsolidated subsidiaries	**38,505**	36,379	**363,255**
Allowance for doubtful accounts	**(16,215)**	(13,907)	**(152,972)**
	571,611	531,319	**5,392,557**
Inventories (Note 4)	**383,669**	416,755	**3,619,519**
Deferred income taxes (Note 12)	**3,287**	—	**31,009**
Prepaid expenses and other	**49,126**	50,393	**463,453**
Total current assets	**1,590,688**	1,568,103	**15,006,491**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**21,456**	20,211	**202,415**
Other (Notes 6 and 10)	**187,258**	173,970	**1,766,585**
	208,714	194,181	**1,969,000**
Property, plant and equipment (Note 7):			
Buildings	**453,644**	438,763	**4,279,660**
Machinery and equipment	**973,999**	969,397	**9,188,670**
	1,427,643	1,408,160	**13,468,330**
Accumulated depreciation	**(947,787)**	(931,098)	**(8,941,387)**
	479,856	477,062	**4,526,943**
Land	**145,049**	148,520	**1,368,387**
Construction in progress	**14,007**	34,624	**132,142**
	638,912	660,206	**6,027,472**
Deferred income taxes (Note 12)	**56,670**	31,438	**534,622**
Other assets	**211,071**	208,597	**1,991,236**
	¥2,706,055	¥2,662,525	**$25,528,821**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 2) 2000
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 412,694**	¥ 487,290	**$ 3,893,340**
Current portion of long-term debt (Note 7)	**122,924**	115,582	**1,159,660**
Notes and accounts payable:			
Trade	**374,987**	331,124	**3,537,613**
Affiliates and unconsolidated subsidiaries	**14,953**	15,504	**141,066**
Construction	**35,678**	25,195	**336,585**
	425,618	371,823	**4,015,264**
Accrued income taxes	**24,324**	5,891	**229,471**
Deferred income taxes (Note 12)	**—**	8,195	**—**
Employees' savings deposits	**29,230**	30,447	**275,755**
Other, including dividends payable and accrued expenses	**209,377**	192,244	**1,975,255**
Total current liabilities	**1,224,167**	1,211,472	**11,548,745**
Long-term debt (Notes 7 and 10)	**610,453**	604,126	**5,758,991**
Accrued pension and severance costs (Note 8)	**165,714**	128,356	**1,563,340**
Total liabilities	**2,000,334**	1,943,954	**18,871,076**
Minority interests in consolidated subsidiaries	**40,267**	22,956	**379,877**
Commitments and contingent liabilities (Note 9)			
Stockholders' equity (Note 11):			
Common stock, ¥50 ($0.47) par value:			
Authorized:			
March 31, 2000—4,921,196 thousand shares			
March 31, 1999—4,953,125 thousand shares			
Issued (Note 11):			
March 31, 2000—1,872,327 thousand shares	**172,238**	—	**1,624,887**
March 31, 1999—1,904,256 thousand shares	**—**	172,238	**—**
Additional paid-in capital	**336,026**	351,129	**3,170,057**
Retained earnings	**188,193**	175,915	**1,775,405**
Accumulated other comprehensive loss	**(30,898)**	(3,641)	**(291,491)**
	665,559	695,641	**6,278,858**
Less, treasury stock at cost:			
2000—206,663 shares	**(105)**	—	**(990)**
1999— 35,863 shares	**—**	(26)	**—**
Total stockholders' equity	**665,454**	695,615	**6,277,868**
	¥2,706,055	¥2,662,525	**$25,528,821**

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2000, 1999 and 1998

	Millions of Yen							
				Accumulated Other Comprehensive Income (Loss)				
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Gains (Losses) on Securities	Foreign Currency Transaction Adjustments	Minimum Pension Liability Adjustments	Total	Total Comprehensive Income (Loss)
Balance, March 31, 1997 (1,951,131)	¥172,238	¥368,361	¥208,806	¥43,371	¥(16,946)	¥ —	¥ 26,425	
Comprehensive income (loss):								
Net income			12,320					¥ 12,320
Other comprehensive income (loss):								
Net unrealized holding losses on securities (net of tax of ¥25,242 million) (Note 6)				(22,472)			(22,472)	(22,472)
Foreign currency translation adjustments					1,762		1,762	1,762
Minimum pension liability adjustments (Note 8) (net of tax of ¥6,538 million)						(7,082)	(7,082)	(7,082)
Total								¥(15,472)
Cash dividends			(9,763)					
Balance, March 31, 1998 (1,951,131)	172,238	368,361	211,363	20,899	(15,184)	(7,082)	(1,367)	
Comprehensive income (loss):								
Net loss			(25,883)					¥(25,883)
Other comprehensive income (loss):								
Net unrealized holding gains on securities (net of tax of ¥3,185 million) (Note 6)				3,263			3,263	3,263
Reclassification adjustments for net losses realized in net loss (net of tax of ¥2,048 million)				2,210			2,210	2,210
Foreign currency translation adjustments					(11,663)		(11,663)	(11,663)
Minimum pension liability adjustments (Note 8) (net of tax of ¥3,981 million)						3,916	3,916	3,916
Total								¥(28,157)
Cash dividends			(9,565)					
Common stock repurchased and cancelled (46,875)		(17,232)						
Balance, March 31, 1999 (1,904,256)	**172,238**	**351,129**	**175,915**	**26,372**	**(26,847)**	**(3,166)**	**(3,641)**	
Comprehensive income (loss):								
Net income			**21,686**					**¥ 21,686**
Other comprehensive income (loss):								
Net unrealized holding gains on securities (net of tax of ¥5,600 million) (Note 6)				**9,378**			**9,378**	**9,378**
Reclassification adjustments for net income realized in net income (net of tax of ¥4,769 million)				**(6,236)**			**(6,236)**	**(6,236)**
Foreign currency translation adjustments					**(11,412)**		**(11,412)**	**(11,412)**
Minimum pension liability adjustments (Note 8) (net of tax of ¥13,750 million)						**(18,987)**	**(18,987)**	**(18,987)**
Total								**¥ (5,571)**
Cash dividends			**(9,408)**					
Common stock repurchased and cancelled (31,929)		**(15,103)**						
Balance, March 31, 2000 (1,872,327)	**¥172,238**	**¥336,026**	**¥188,193**	**¥29,514**	**¥(38,259)**	**¥(22,153)**	**¥(30,898)**	
	Thousands of U.S. Dollars (Note 2)							
Balance, March 31, 1999 (1,904,256)	**$1,624,887**	**$3,312,538**	**$1,659,575**	**$248,792**	**$(253,274)**	**$ (29,868)**	**$ (34,350)**	
Comprehensive income (loss):								
Net income			**204,585**					**$204,585**
Other comprehensive income (loss):								
Net unrealized holding gains on securities (net of tax of $52,830 thousand) (Note 6)				**88,472**			**88,472**	**88,472**
Reclassification adjustments for net income realized in net income (net of tax of $44,991 thousand)				**(58,830)**			**(58,830)**	**(58,830)**
Foreign currency translation adjustments					**(107,660)**		**(107,660)**	**(107,660)**
Minimum pension liability adjustments (Note 8) (net of tax of $129,717 thousand)						**(179,123)**	**(179,123)**	**(179,123)**
Total								**$ (52,556)**
Cash dividends			**(88,755)**					
Common stock repurchased and cancelled (31,929)		**(142,481)**						
Balance, March 31, 2000 (1,872,327)	**$1,624,887**	**$3,170,057**	**$1,775,405**	**$278,434**	**$(360,934)**	**$(208,991)**	**$(291,491)**	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2000	1999	1998	**2000**
Cash flows from operating activities:				
Net income (loss)	**¥ 21,686**	¥ (25,883)	¥ 12,320	**$ 204,585**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**98,711**	102,952	101,091	**931,236**
Gain on sales of marketable securities and investment securities	**(8,497)**	(4,217)	(5,209)	**(80,160)**
Loss on disposal of property, plant and equipment	**5,098**	5,275	1,783	**48,094**
Devaluation and disposal of investments and bad debts	**—**	19,573	—	**—**
Provision for income taxes—deferred	**(20,654)**	2,130	(1,158)	**(194,849)**
Equity in (earnings) losses of affiliates and unconsolidated subsidiaries	**(1,254)**	(348)	1,044	**(11,830)**
Change in assets and liabilities, net of effects of newly consolidated subsidiaries in 2000 and 1999:				
Increase in receivables	**(42,659)**	(1,795)	(38,040)	**(402,443)**
Decrease (increase) in inventories	**30,927**	20,330	(25,966)	**291,764**
Decrease (increase) in prepaid expenses and other	**2,067**	(10,751)	(960)	**19,500**
Increase in other assets	**(18,146)**	(15,195)	(45,306)	**(171,189)**
Increase (decrease) in notes and accounts payable	**41,061**	(14,808)	13,158	**387,368**
Increase (decrease) in accrued income taxes	**18,572**	(8,724)	(2,295)	**175,208**
Increase in other current liabilities	**14,350**	1,604	1,802	**135,377**
Other, net	**25,607**	(2,476)	13,308	**241,575**
Total adjustments	**145,183**	93,550	13,252	**1,369,651**
Net cash provided by operating activities	**166,869**	67,667	25,572	**1,574,236**
Cash flows from investing activities:				
Decrease (increase) in short-term investments	**3,775**	(7,298)	(8,286)	**35,613**
Proceeds from sales of investments and collection of advances	**18,729**	10,438	20,142	**176,689**
Proceeds from sales of property, plant and equipment	**9,826**	4,481	7,185	**92,698**
Payments for purchases of investments and advances	**(28,243)**	(22,971)	(24,311)	**(266,443)**
Payments for purchases of property, plant and equipment	**(79,649)**	(116,075)	(119,340)	**(751,406)**
Other, net	**(241)**	(4)	(518)	**(2,274)**
Net cash used in investing activities	**(75,803)**	(131,429)	(125,128)	**(715,123)**
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	**(66,829)**	(65,569)	51,381	**(630,462)**
Proceeds from issuance of long-term debt	**149,088**	251,778	180,913	**1,406,491**
Repayments of long-term debt	**(121,560)**	(130,826)	(120,934)	**(1,146,793)**
Dividends paid	**(9,488)**	(9,681)	(9,756)	**(89,509)**
Repurchases of common stock	**(15,103)**	(17,232)	—	**(142,481)**
Other, net	**(80)**	(3)	2	**(755)**
Net cash (used in) provided by financing activities	**(63,972)**	28,467	101,606	**(603,509)**
Effect of exchange rate changes on cash and cash equivalents	**(5,473)**	(2,911)	(57)	**(51,632)**
Net increase (decrease) in cash and cash equivalents	**21,621**	(38,206)	1,993	**203,972**
Cash and cash equivalents of newly consolidated subsidiaries	**7,129**	9,706	—	**67,255**
Cash and cash equivalents at beginning	**312,712**	341,212	339,219	**2,950,113**
Cash and cash equivalents at end	**¥341,462**	¥312,712	¥341,212	**$3,221,340**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in six business segments: "AV·Information and Communications Equipment", "Home Appliances", "Industrial and Commercial Equipment", "Electronic Devices", "Batteries" and "Others". Fiscal 2000 net sales were comprised of AV·Information and Communications Equipment (36%), Home Appliances (16%), Industrial and Commercial Equipment (12%), Electronic Devices (20%), Batteries (13%), and Others (3%). The principal markets are Japan, Asia, North America, Europe and others with sales in each area representing 50%, 21%, 19%, 8% and 2%, respectively, of net sales for the year ended March 31, 2000. Manufacturing facilities are located in more than 20 countries, principally Asian areas, such as Japan and China, as well as North America and Europe.

Accounting Principles

The accounting records of the domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect adjustments necessary for a presentation in terms of generally accepted accounting principles as defined in the United States of America. Such adjustments consist primarily of accruing pension and severance costs, translating foreign currencies as discussed below, valuing marketable securities at fair value, deferring bond issue expenses and effecting deferred tax accounting for temporary differences between financial and tax reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated. Minority interest in net income (loss) of consolidated subsidiaries is included in other expenses.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at exchange rates in effect at the respective balance sheet dates, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of the foreign consolidated subsidiaries and foreign affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet dates. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market. Cost for finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Installment Sales

Income from installment sales is recognized in full at the time of shipment.

Advertising Costs

Advertising costs are generally expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at fiscal period-end. Deferred tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Comprehensive Income

For the year ended March 31, 1999, Sanyo has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income, which consists of net income or losses, net unrealized holding gains or losses on securities, foreign currency translation adjustments and minimum pension liability adjustments, is presented in the consolidated statements of stockholders' equity. The adoption of SFAS No. 130 has no impact on total stockholders' equity. The 1998 presentation has been restated to conform to SFAS No. 130 requirements.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the end of an accounting period and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the end of such accounting period. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 14.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will be adopted by Sanyo beginning April 1, 2001. This statement establishes accounting and reporting standards for derivative instruments and hedging activities, and requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The change in the fair value of a derivative will be recognized in earnings in the period of change or reported as a component of other comprehensive income, depending on the intended use of the derivative and the resulting designation. Sanyo has not yet determined the effect of adopting SFAS No. 133.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for 2000 represent the arithmetical results of translating yen to dollars on a basis of ¥106=US$1, the approximate effective rate of exchange at March 31, 2000.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥106=US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 2000 included installment receivables of ¥31,904 million ($300,981 thousand) from customers, of which ¥18,007 million ($169,877 thousand) matures after one year.

4 INVENTORIES

Inventories at March 31, 2000 and 1999 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Finished products	**¥200,116**	¥230,168	**$1,887,887**
Work in process	**89,054**	96,602	**840,132**
Raw materials	**94,499**	89,985	**891,500**
	¥383,669	¥416,755	**$3,619,519**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

At March 31, 2000 and 1999	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
Current assets	**¥172,215**	¥ 98,364	**$1,624,670**
Noncurrent assets	**87,609**	60,525	**826,500**
Total assets	**259,824**	158,889	**2,451,170**
Current liabilities	**116,870**	96,014	**1,102,547**
Noncurrent liabilities	**104,696**	30,534	**987,698**
Total liabilities	**221,566**	126,548	**2,090,245**
Net assets	**¥ 38,258**	¥ 32,341	**$ 360,925**
Sanyo's investments in affiliates	**¥ 16,916**	¥ 15,927	**$ 159,585**
Number of affiliated companies at end of fiscal period:			
In Japan	**22**	20	
Outside Japan	**10**	6	

Years ended March 31, 2000, 1999 and 1998	Millions of Yen 2000	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars 2000
Results of operations:				
Net sales	**¥268,194**	¥244,692	¥229,645	**$2,530,132**
Net income (loss)	**898**	4,448	(14,490)	**8,472**
Sanyo's equity in affiliates:				
Net income (loss)	**¥ 1,151**	¥ 740	¥ (875)	**$ 10,858**
Cash dividends	**74**	457	85	**698**
Transactions with affiliates:				
Sales to	**¥ 97,021**	¥ 93,570	¥ 88,572	**$ 915,292**
Purchases from	**62,306**	46,416	49,502	**587,792**

The aggregate carrying amount and market value at March 31, 2000 and 1999 of investments in affiliates (for which a quoted market price is available) are as follows:

	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
Carrying amount	**¥6,851**	¥7,128	**$64,632**
Market value	**7,159**	8,995	**67,538**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities at March 31, 2000 and 1999 included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) are summarized as follows:

	Millions of Yen							
	2000				1999			
	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 37,685**	**¥ 38,065**	**¥ 1,182**	**¥ 802**	¥ 57,672	¥ 55,941	¥ 91	¥ 1,822
Equity securities	**188,303**	**242,820**	**69,131**	**14,614**	183,820	235,599	70,128	18,349
	¥225,988	**¥280,885**	**¥70,313**	**¥15,416**	¥241,492	¥291,540	¥70,219	¥20,171

	Thousands of U.S. Dollars			
	2000			
Available-for-sale:				
Debt securities	**$ 355,519**	**$ 359,104**	**$ 11,151**	**$ 7,566**
Equity securities	**1,776,443**	**2,290,754**	**652,179**	**137,868**
	$2,131,962	**$2,649,858**	**$663,330**	**$145,434**

Contractual maturities of investments in debt securities classified as available-for-sale securities at March 31, 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Costs	Fair Value	Costs	Fair Value
Due within 1 year	¥32,471	¥33,087	$306,330	$312,142
Due after 1 year through 5 years	3,493	3,257	32,953	30,726
Due after 5 years	1,721	1,721	16,236	16,236
	¥37,685	¥38,065	$355,519	$359,104

The proceeds from sales of available-for-sale securities for the years ended March 31, 2000, 1999 and 1998 were ¥41,611 million ($392,557 thousand), ¥25,686 million and ¥23,541 million, respectively. The gross realized gains and losses on those sales were ¥15,008 million ($141,585 thousand) and ¥6,522 million ($61,528 thousand), respectively, for the year ended March 31, 2000, ¥6,440 million and ¥6,579 million, respectively, for the year ended March 31, 1999 and ¥6,819 million and ¥1,847 million, respectively, for the year ended March 31, 1998.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of unused lines of credit was approximately ¥878,000 million ($8,283,019 thousand) at March 31, 2000.

Short-term borrowings at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Short-term bank loans with interest ranging from 0.34% to 11.75%	**¥352,939**	¥418,643	**$3,329,613**
Commercial paper with interest ranging from 0.09% to 6.31%	**59,755**	68,647	**563,727**
	¥412,694	¥487,290	**$3,893,340**

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Loans, principally from banks and insurance companies, due 2000 to 2015 with interest rates ranging from 0.27% to 12.75%:			
Collateralized (a)	**¥ 31,641**	¥ 36,457	**$ 298,500**
Uncollateralized	**375,475**	375,457	**3,542,217**
Uncollateralized convertible yen bonds (b):			
1.7% convertible bonds due November 2002	**5,657**	5,657	**53,368**
1.6% convertible bonds due November 2004	**49,899**	49,899	**470,745**
0.8% convertible bonds due March 2004	**1,663**	7,710	**15,689**
Uncollateralized euroyen notes (b):			
5.1% notes due September 1999	**—**	20,000	**—**
Floating rate notes due November 2000	**1,310**	1,488	**12,358**
1.15% notes due November 2000	**437**	496	**4,122**
1.30% notes due November 2001	**1,835**	2,084	**17,311**
Uncollateralized bonds (b):			
2.85% bonds due May 2000	**20,000**	20,000	**188,679**
3.05% bonds due May 2001	**10,000**	10,000	**94,340**
2.40% bonds due June 2001	**20,000**	20,000	**188,679**
2.25% bonds due June 2000	**10,000**	10,000	**94,340**
2.325% bonds due September 2001	**10,000**	10,000	**94,340**
2.625% bonds due September 2002	**20,000**	20,000	**188,679**
2.825% bonds due September 2003	**20,000**	20,000	**188,679**
3.10% bonds due May 2007	**20,000**	20,000	**188,679**
3.35% bonds due May 2009	**30,000**	30,000	**283,019**
1.550% bonds due June 2003	**10,000**	10,000	**94,340**
1.925% bonds due June 2005	**20,000**	20,000	**188,679**
2.325% bonds due June 2008	**20,000**	20,000	**188,679**
2.4% bonds due June 2005	**5,000**	5,000	**47,170**
0% bonds due September 2002	**5,000**	5,000	**47,170**
1.75% bonds due April 2002	**10,000**	—	**94,340**
1.63% bonds due July 2004	**5,000**	—	**47,170**
1.63% bonds due July 2004	**5,000**	—	**47,170**
2.00% bonds due November 2006	**5,000**	—	**47,170**
2.00% bonds due November 2006	**5,000**	—	**47,170**
2.42% bonds due March 2010	**15,000**	—	**141,509**
3.1% bonds due September 2001 with detachable warrants (c)	**460**	460	**4,340**
	733,377	719,708	**6,918,651**
Less, amount due within one year	**122,924**	115,582	**1,159,660**
	¥610,453	¥604,126	**$5,758,991**

(a) These loans are collateralized by property, plant and equipment of the Company's subsidiaries.
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.
(c) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and, at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR for their benefits.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2000 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥168,663	$1,591,161
2003	127,202	1,200,019
2004	132,295	1,248,066
2005	30,505	287,783
2006 and thereafter	151,788	1,431,962
	¥610,453	$5,758,991

Under the terms of the agreements of the convertible debt outstanding at March 31, 2000, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds:*			
1.7% convertible bonds due November 2002	Dec. 1, 1999	102%–100%	¥ 600
1.6% convertible bonds due November 2004	Dec. 1, 1999	104%–100%	¥1,036
0.8% convertible bonds due March 2004	Mar. 31, 2004	100%	¥1,400

*May be repurchased at any time in the open market

As of March 31, 2000, the number of shares of common stock required to convert all of the convertible debt was 57,593 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). In accordance with the JWPIL, a portion of the government's social security pension program, under which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover twenty percent of the severance indemnities payable.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan, which is called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service who elect to participate.

Effective March 31, 1999, Sanyo adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which does not change the measurement or recognition of the pension plans, but revises the disclosure requirements for the pension plans.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥393,076**	¥380,067	**$3,708,264**
Service cost	**21,176**	17,970	**199,774**
Interest cost	**17,345**	16,769	**163,632**
Plan participants' contributions	**3,800**	3,720	**35,849**
Actuarial losses (gains)	**64,880**	(10,999)	**612,075**
Benefits paid	**(16,693)**	(14,451)	**(157,481)**
Benefit obligation at end of year	**483,584**	393,076	**4,562,113**
Change in plan assets:			
Fair value of plan assets at beginning of year	**223,411**	206,743	**2,107,651**
Actual return on plan assets	**32,640**	3,264	**307,924**
Employer contributions	**17,821**	17,940	**168,123**
Plan participants' contributions	**3,800**	3,720	**35,849**
Benefits paid	**(9,049)**	(8,256)	**(85,368)**
Fair value of plan assets at end of year	**268,623**	223,411	**2,534,179**
Funded status:			
Benefit obligation in excess of plan assets	**214,961**	169,665	**2,027,934**
Unrecognized net transition obligation at date of adoption	**(4,664)**	(5,488)	**(44,000)**
Unrecognized prior service cost	**(8,532)**	(9,397)	**(80,491)**
Unrecognized actuarial loss	**(93,657)**	(53,255)	**(883,557)**
Net amount recognized	**108,108**	101,525	**1,019,886**
Reconciliation to accrued pension liability:			
Intangible asset	**13,196**	14,885	**124,491**
Amount included in accumulated other comprehensive income, gross of tax	**38,826**	6,088	**366,283**
Accrued pension liability recognized in the consolidated balance sheets	**¥160,130**	¥122,498	**$1,510,660**

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 2000, 1999, and 1998:

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	**2000**
Service cost	**¥21,176**	¥17,970	¥17,868	**$199,774**
Interest cost	**17,345**	16,769	15,505	**163,632**
Expected return on plan assets	**(8,936)**	(9,303)	(8,700)	**(84,302)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**7,774**
Prior service cost	**865**	865	865	**8,160**
Actuarial losses	**775**	1,443	813	**7,311**
Net periodic benefit cost	**¥32,049**	¥28,568	¥27,175	**$302,349**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2000, 1999, and 1998 are as follows:

	2000	1999	1998
Discount rate	**4.0%**	4.5%	4.5%
Long-term rate of salary increase	**3.2%**	3.2%	3.2%
Long-term rate of return on fund assets	**4.0%**	4.5%	4.5%

9 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense is related to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expense is not significant. Commitments outstanding at March 31, 2000 for purchase of property, plant and equipment approximated ¥10,747 million ($101,387 thousand).

Contingent liabilities at March 31, 2000 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥5,177 million ($48,840 thousand), ¥95,575 million ($901,651 thousand) and ¥71,178 million ($671,491 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

10 FINANCIAL INSTRUMENTS

Sanyo has entered into foreign currency exchange forward contracts, generally maturing within six months, as hedges against transactions in foreign currencies. The foreign currency exchange forward contracts are used to minimize exposure and to reduce risk from exchange rate fluctuations in the ordinary course of its worldwide operations. Sanyo had foreign exchange forward contracts to sell ¥52,911 million ($499,160 thousand) and purchase ¥8,526 million ($80,434 thousand) at March 31, 2000 and to sell ¥54,929 million and purchase ¥8,184 million at March 31, 1999 in foreign currencies.

Sanyo has also entered into various interest rate and currency swap agreements with financial institutions, which will mature primarily during 2000 to 2004. These agreements are arranged to hedge against exposure of interest rate and currency fluctuations of certain assets and liabilities. The amounts of the underlying interest rate swap agreements were ¥419,500 million ($3,957,547 thousand) and ¥428,787 million at March 31, 2000 and 1999, respectively. The amounts of the underlying currency swap agreements were ¥20,170 million ($190,283 thousand) and ¥26,932 million at March 31, 2000 and 1999, respectively. The related differentials to be paid or received are recognized over the terms of the agreements.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements described previously.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates to fair value because of the short maturity of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices for those instruments. For the other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates or the amount that Sanyo would receive or pay to terminate the swap agreements at the balance sheet date.

The estimated fair values of financial instruments as of March 31, 2000 and 1999 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2000		1999		**2000**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:						
Liabilities:						
Long-term debt	**¥610,453**	**¥627,148**	¥604,126	¥614,072	**$5,758,991**	**$5,916,491**
Derivatives:						
Foreign currency exchange forward contracts	**—**	**787**	—	(1,409)	**—**	**7,425**
Interest rate and currency swap agreements	**—**	**1,924**	—	4,751	**—**	**18,151**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

11 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the Code), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash payments for appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of its stated capital. The legal reserve may be used to reduce a deficit or may be transferred to stated capital through appropriate stockholder and director actions but is not available for dividend payment.The legal reserve of the Company amounting to ¥30,947 million ($291,953 thousand) is included in retained earnings at March 31, 2000.

12 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in the aggregate, indicated a statutory income tax rate in Japan of approximately 42% for the year ended March 31, 2000, 48% for the year ended March 31, 1999 and 51% for the year ended March 31, 1998.

As a result of the Japanese Tax Reform Acts, which were enacted on March 24, 1999 and March 31, 1998, the Company's statutory income tax rate was decreased to 42% for the year ended March 31, 2000 and 48% for the year ended March 31, 1999. The deferred tax assets and liabilities at March 31, 1999 and 1998 were adjusted to reflect the revised rates. As a result, provision for income taxes—deferred increased by ¥2,633 million and ¥2,816 million for the years ended March 31, 1999 and 1998, respectively.

Reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Statutory income tax rate	**42.0%**	48.0 %	51.0%
Increase (decrease) in taxes resulting from:			
Change in valuation allowance	**(6.0)**	(121.9)	29.7
Effect of change in statutory tax rate	**—**	(17.8)	7.4
Expenses not deductible for tax purposes	**1.8**	(5.9)	3.2
Tax credits	**(4.3)**	16.6	(19.3)
Differences in statutory tax rates of foreign subsidiaries	**(2.1)**	3.9	(3.4)
Other	**3.0**	(0.4)	(3.5)
Effective income tax rate	**34.4%**	(77.5)%	65.1%

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2000 and 1999 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Deferred tax assets:			
Accrued pension and severance costs	**¥ 42,635**	¥22,382	**$ 402,217**
Accrued expenses	**19,417**	12,445	**183,179**
Operating loss carryforwards	**20,646**	22,335	**194,774**
Inventories	**3,419**	3,612	**32,255**
Allowance for doubtful accounts	**4,366**	3,964	**41,189**
Property, plant and equipment	**1,771**	1,080	**16,708**
Enterprise taxes	**2,052**	107	**19,358**
Long-term investments	**2,498**	3,936	**23,566**
Long-term loan receivable	**6,549**	—	**61,783**
Other	**9,493**	6,318	**89,556**
Gross deferred tax assets	**112,846**	76,179	**1,064,585**
Less, valuation allowance	**(25,468)**	(23,755)	**(240,264)**
Total deferred tax assets	**87,378**	52,424	**824,321**
Deferred tax liabilities:			
Short-term investments	**(18,342)**	(20,227)	**(173,038)**
Deferred income	**(6,946)**	(6,541)	**(65,528)**
Deferred expenses	**(800)**	(887)	**(7,547)**
Other	**(1,333)**	(1,526)	**(12,576)**
Gross deferred tax liabilities	**(27,421)**	(29,181)	**(258,689)**
Net deferred tax assets	**¥ 59,957**	¥23,243	**$ 565,632**

The net changes in the total valuation allowance for the years ended March 31, 2000 and 1999 were increases of ¥1,713 million ($16,160 thousand) and ¥14,350 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 2000 amounted to approximately ¥54,590 million ($515,000 thousand) and are available as an offset against future taxable income of such subsidiaries. These will expire in the period from 2000 through 2013.

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2000, 1999 and 1998 were ¥99,599 million ($939,613 thousand), ¥93,737 million and ¥94,683 million, respectively.

14 INCOME PER SHARE

Income per share for the years ended March 31, 2000, 1999 and 1998 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	**2000**
Basic income per share calculation:				
Income (numerator):				
Net income (loss)	**¥21,686**	¥(25,883)	¥12,320	**$204,585**
Shares, thousands (denominator):				
Weighted average number of shares	**1,889,477**	1,920,197	1,951,099	
Basic income (loss) per share (yen and U.S. dollars)	**¥ 11.5**	¥ (13.5)	¥ 6.3	**$ 0.108**
Diluted income per share calculation:				
Income (numerator):				
Net income (loss)	**¥21,686**	¥(25,883)	¥12,320	**$204,585**
Interest on convertible bonds, net of tax	**520**	—	47	**4,906**
Adjusted net income (loss)	**¥22,206**	¥(25,883)	¥12,367	**$209,491**
Shares, thousands (denominator):				
Weighted average number of shares	**1,889,477**	1,920,197	1,951,099	
Assumed conversion of convertible bonds	**57,593**	—	9,428	
Adjusted weighted average number of shares	**1,947,070**	1,920,197	1,960,527	
Diluted income (loss) per share (yen and U.S. dollars)	**¥ 11.4**	¥ (13.5)	¥ 6.3	**$ 0.108**

The calculation of weighted average number of shares for diluted income (loss) per share in 1999 and 1998 did not include incremental shares of 57,593 thousand and 67,045 thousand, respectively, from assumed conversions of convertible bonds since their effects are anti-dilutive.

15 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 2000, 1999, and 1998 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	**2000**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥27,374**	¥29,790	¥31,101	**$258,245**
Income taxes	**6,627**	24,792	25,962	**62,519**
Conversion of convertible bonds issued by a consolidated subsidiary	**6,047**	—	—	**57,047**

16 RECLASSIFICATION

Certain reclassifications of previously reported amounts have been made to the consolidated balance sheet at March 31, 1999 and the consolidated statements of stockholders' equity for the years ended March 31, 1999 and 1998 to conform to the 2000 presentation. Such reclassifications have no effect on net assets and cash flows.

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

To the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2000, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for the omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2000 and 1999 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

PricewaterhouseCoopers

Osaka, Japan
June 15, 2000

Corporate Directory

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 29, 2000)

Executive Directors

Chairman
Satoshi Iue

President
Sadao Kondo

Executive Directors
Masaho Sugimoto
Yoshio Shimoda
Motoharu Iue

Directors

Corazon C. Aquino
Nobuaki Kumagai
Yasusuke Tanaka
Junichiro Yano
Yukinori Kuwano
Toshimasa Iue
Sunao Okubo

Corporate Executive Auditors

Akihide Kawanaka
Shigeru Sakata
Ryota Tominaga

Corporate Auditors

Sotoo Tatsumi
Takao Sudo
(Sotoo Tatsumi is advisor of the Sumitomo Bank, Limited, and Takao Sudo is president of STC Co., Ltd.)

OFFICERS

(As of June 29, 2000)

Chairman & Chief Executive Officer
Satoshi Iue

President & Chief Operating Officer
Sadao Kondo

Executive Vice President & Chief Financial Officer
Yoshio Shimoda

Executive Officers
Yasusuke Tanaka
Junichiro Yano
Yukinori Kuwano
Toshimasa Iue
Sunao Okubo

Senior Officers
Hiromoto Sekino
Akiyoshi Takano
Hitoshi Komada
Masabumi Kawano

Officers
Minoru Hagihara
Fusao Terada
Akira Yoshida
Satoshi Inoue
Tadahiko Tanaka
Tadao Shimada
Shosaku Kurome
Akira Kan
Osamu Kajikawa
Eiji Kotobuki
Hideo Yamase

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2000)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales and Lease of Electrical and Electronic Products

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Audio Equipment, Information Systems, Electronic Parts, and Home Appliances

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Life Electronics Co., Ltd.
Principal Business: Sales of Electrical and Electronic Products

SANYO Electric Trading Co., Ltd.
Principal Business: Export and Import of Electrical and Electronic Products

SANYO Electric Vending Machine Co., Ltd.
Principal Business: Sales of Vending Machines

SANYO Electric Commercial Equipment Co., Ltd.
Principal Business: Sales and Installation of Refrigerators-Freezers, and Kitchen Appliances

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

(Sanyo has a total of 124 consolidated subsidiaries—63 in Japan and 61 overseas.)

PRINCIPAL SANYO OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of March 31, 2000)

● Manufacturing Companies	81
■ Sales Companies	32
◆ Other Companies	36
Total	149

NORTH AMERICA

United States

● SANYO Manufacturing Corporation, *Forrest City, Arkansas*
● SANYO E & E Corporation, *San Diego, California*
● SANYO California Corporation, *San Diego, California*
● SANYO Energy (U.S.A.) Corporation, *San Diego, California*
● SANYO Video Components (U.S.A.) Corporation, *San Diego, California*
● Solec International, Inc., *Carson, California*
● SANYO Information Systems Corporation, *San Diego, California*
■ SANYO Semiconductor Corporation, *Allendale, New Jersey*
■ SANYO Semiconductor Distribution (USA) Corporation, *Norwood, New Jersey*
◆ SANYO North America Corporation, *San Diego, California*
◆ SANYO FISHER Service Corporation, *Chatsworth, California*
◆ SANYO Electric Finance (USA) Corporation, *New York, New York*
◆ SANYO Laser Products, Inc., (SANYO-Verbatim CD Company L.L.C.) *Richmond, Indiana*
◆ Three Oceans Inc., *New York, New York*
◆ SANYO Customs Brokerage, Inc., *San Diego, California*
◆ SANYO Transportation Company, *Gardena, California*
◆ SANYO Logistics Corporation, *Gardena, California*

Canada

■ SANYO Canada Inc., *Toronto, Ontario*
◆ SANYO E.T. Canada Inc., *Toronto, Ontario*
◆ SANYO Canada Holdings 1990 Inc., *Toronto, Ontario*

Mexico

● Sanmex, S.A. de C.V., *Tijuana*
● MABE SANYO Compressors S.A. de C.V., *San Luis Potosí*
◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana*
◆ SANYO Customs Brokerage S.A. de C.V., *Tijuana*
◆ Dos Aguilas S.A. de C.V., *Tijuana*
◆ SANYO Manufacturing S.A. de C.V., *Tijuana*

SOUTH AMERICA

Brazil

● SANYO da Amazônia S.A., *Manaus*
■ Industria Electronica SANYO do Brazil Ltda., *São Paulo*
◆ SANYO do Brasil Participacões e Empreendimentos S/C Ltda., *São Paulo*

Argentina
- ● NEWSAN S.A., *Buenos Aires*
- ◆ Sanelco S.A., *Ushuaia*

EUROPE

United Kingdom
- ● SANYO Industries (U.K.) Limited, *Lowestoft*
- ● SANYO Electric Manufacturing (U.K.) Limited, *Newton Aycliffe*
- ● SANYO Gallenkamp PLC, *Uxbridge*
- ● SANYO Energy (UK) Company Limited, *Hemel Hempstead*
- ■ SANYO Information Systems (UK) Limited, *Watford*
- ◆ SANYO Europe Limited, *Watford*
- ◆ SANYO Electric International Finance (UK) PLC, *Watford*

The Netherlands
- ■ SANYO Gallenkamp B.V., *Breda*
- ◆ SANYO Electric Finance Netherlands B.V., *Amsterdam*

Germany
- ● SANYO Energy (Europe) Corporate GmbH, *Haar*
- ■ SANYO FISHER Vertriebs GmbH, *München*
- ■ SANYO Büro-Electronic Europa-Vertrieb GmbH, *München*
- ■ SANYO Semiconductor (Europe) GmbH, *Eschborn*

Italy
- ● SANYO Argo Clima S.r.L., *Gallarate*
- ■ SANYO Airconditioners Europe S.r.L., *Milano*

Spain
- ● SANYO España, S.A., *Barcelona*

Portugal
- ■ SANYO Portugal Electronica S.A., *Amadora*

Hungary
- ● SANYO Hungary Kft., *Dorog*

AFRICA

Kenya
- ■ SANYO ARMCO (Kenya) Limited, *Nairobi*

Ghana
- ● Ghana SANYO Company Limited, *Tema*

South Africa
- ■ SANYO South Africa (Pty) Ltd., *Sandton*

ASIA

China
- ● SANYO Electric (Shekou) Ltd., *Shenzhen*
- ● Guangdong SANYO Air Conditioner Co., Ltd., *Foshan*
- ● SANYO Semiconductor (Shekou) Ltd., *Shenzhen*
- ● Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen*
- ● Dalian SANYO Refrigeration Co., Ltd., *Dalian*
- ● Shenyang SANYO Airconditioner Co., Ltd., *Shenyang*
- ● Dalian Honjo Chemical Corporation, *Dalian*
- ● Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen*
- ● Hefei Rongshida SANYO Electric Co., Ltd., *Hefei*
- ● Suzhou SANYO Electro-Mechanical Co., Ltd., *Suzhou*
- ● Dalian SANYO Cold-Chain Co., Ltd., *Dalian*
- ● Dalian SANYO Compressor Co., Ltd., *Dalian*
- ● Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin*
- ● Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen*
- ● Dalian SANYO Home Appliance Co., Ltd., *Dalian*
- ● SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou*
- ● Guangdong SANYO KELON Refrigerator Co., Ltd., *Guangdong*
- ● Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou*
- ● Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang*
- ● Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang*
- ● Dalian SANYO Air Conditioner Co., Ltd., *Dalian*
- ● Dalian SANYO Food Systems Co., Ltd., *Dalian*
- ● Dalian Bingshan Metal Processing Co., Ltd., *Dalian*
- ● Tianjin Lantain SANYO Energy Co., Ltd., *Tianjin*
- ◆ SANYO Electric (China) Co., Ltd., *Beijing*
- ◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen*
- ◆ Guangdong Huaqiang SANYO Group Co., Ltd., *Dondduang*
- ◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Shanghai*
- ◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian*
- ◆ Beijing SANYO Cleaning Co., Ltd., *Beijing*
- ◆ Shanghai Sanxiang Laundry Co., Ltd., *Shanghai*

(Hong Kong)
- ● SANYO Energy (Hong Kong) Company Limited
- ● Tottori SANYO Electric (Hong Kong) Limited
- ● SANYO Optronics (Hong Kong) Company Limited
- ■ SANYO Electronics (H.K.) Limited
- ■ SANYO Semiconductor (H.K.) Co., Ltd.
- ■ SANYO Commercial Refrigeration International Co., Ltd.
- ◆ SANYO Electric (Hong Kong) Limited

(Taiwan)
- ● SANYO Electric (Taiwan) Co., Ltd.
- ● SANYO Electronic (Taichung) Co., Ltd.
- ● SANYO Energy (Taiwan) Co., Ltd.
- ■ SANYO Semiconductor Taipei Co., Ltd.
- ■ Chen Ho & Co., Ltd.

Republic of Korea
- ● Korea Tokyo Electronic Co., Ltd., *Masan*
- ● Korea Tokyo Silicon Co., Ltd., *Masan*
- ● Korea TT Co., Ltd., *Masan*
- ● Korea SANYO Electric Co., Ltd., *Chang Won*

Philippines
- ● SANYO (Philippines), Inc., *Metro Manila*
- ● SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac*
- ● Sanwa Electric Philippines, Inc., *Cavite*
- ● Tottori SANYO Electric (Philippines) Corporation, *Cavite*
- ● SANYO Capacitor (Philippines) Corporation, *Tarlac*
- ■ SANYO Marketing Corporation, *Metro Manila*
- ◆ Sanwa Estate Philippines, Inc., *Metro Manila*
- ◆ SSMP Estate Corporation, *Tarlac*
- ◆ Tottori SANYO Electric Philippines Estate Corporation, *Cavite*

Thailand
- ● SANYO Universal Electric Public Co., Ltd., *Bangkok*
- ● SANYO Semiconductor (Thailand) Co., Ltd., *Utai*
- ■ SANYO (Thailand) Co., Ltd., *Bangkok*
- ■ SANYO SMI Thailand Co., Ltd., *Bangkok*

Vietnam
- ● SANYO Home Appliances Vietnam Corporation, *Bien-hoa*

Malaysia
- ● SANYO Electric (Penang) Sdn. Bhd., *Penang*
- ● SANYO Pt (M) Sdn. Bhd., *Johor*
- ● FMS Audio Sdn. Bhd., *Penang*
- ■ SANYO Sales and Service Sdn. Bhd., *Petaling Jaya*

Singapore
- ● SANYO Industries (Singapore) Private Limited
- ● SANYO Airconditioners Manufacturing Singapore, Pte., Ltd.
- ● SANYO Compressor Singapore Pte., Ltd.
- ● SANYO Denso Industries (Singapore) Pte., Ltd.
- ● SANYO Precision Singapore Pte., Ltd.
- ■ SANYO Malaysia Sdn. Bhd.
- ■ SANYO Airconditioners (Singapore) Pte., Ltd.
- ■ SANYO Semiconductor (S) Pte., Ltd.
- ■ SANYO Energy (Singapore) Corporation Pte., Ltd.
- ■ Kumagaya Precision Motor (Singapore) Pte., Ltd.
- ■ SANYO Electronic Components (Singapore) Private Limited
- ◆ SANYO Asia Pte., Ltd.
- ◆ Nissei SANYO Hitech Service Pte., Ltd.

Indonesia
- ● P.T. SANYO Industries Indonesia, *Jakarta*
- ● P.T. SANYO Jaya Components Indonesia, *Bogor, West Java*
- ● P.T. SANYO Energy (Batam) Corporate, *Batam Island*
- ● P.T. SANYO Compressor Indonesia, *Bekasi*
- ● P.T. Kumagaya Precision Motor Batam, *Batam Island*
- ● P.T. Jaya Indah Casting, *Bekasi*
- ● P.T. SANYO Electronics Indonesia, *Bekasi*
- ◆ P.T. SANYO Precision Batam, *Batam Island*

India
- ● BPL SANYO Limited, *Bangalore*
- ◆ BPL SANYO Finance Limited, *Bangalore*
- ◆ SANYO LSI Technology India Private Limited, *Bangalore*

OCEANIA

Australia
- ■ SANYO Australia Pty. Ltd., *Homebush, N.S.W.*

Investor Information

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: (06) 6991-1181
Facsimile: (06) 6991-6566 (Corporate Communications Department)

TOKYO OFFICE
1-10, Ueno 1-chome, Taito-ku, Tokyo 110-8534, Japan
Telephone: (03) 3835-1111
Facsimile: (03) 3837-6381 (Corporate Communications Department)

U.S. CONTACT ADDRESSES
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154, U.S.A.
Telephone: (619) 661-1134
Facsimile: (619) 661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2000)
Authorized: 4,921,196,000 shares Issued: 1,872,327,137 shares

CAPITAL (As of March 31, 2000)
¥172,238,795,113

NUMBER OF STOCKHOLDERS (As of March 31, 2000)
202,062

LISTINGS
Common stock is listed on the Tokyo, Osaka, and four other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 2000, 1999, and 1998 were as follows:

	Fiscal 2000		Fiscal 1999		Fiscal 1998	
	High	**Low**	High	Low	High	Low
First quarter	**¥510**	**¥385**	¥420	¥316	¥535	¥434
Second quarter	**567**	**445**	434	334	533	365
Third quarter	**560**	**385**	375	297	439	290
Fourth quarter	**694**	**410**	427	319	405	295

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 2000, 1999, and 1998 were as follows:

2000-II	**2000-I**	1999-II	1999-I	1998-II	1998-I
¥2.50	**¥2.50**	¥2.50	¥2.50	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Department at our Head Office.

SANYO Electric Co., Ltd.

Printed on recycled paper in Japan

EXHIBIT I

Annual Report 2001

For the year ended March 31, 2001

SANYO Electric Co., Ltd.

CONTENTS

In this annual report, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

PROFILE

SANYO Electric Co., Ltd., was incorporated in 1950. The firm manufactures a broad range of electronic products grouped into six categories: AV/Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others. Sanyo's net sales for the year ended March 31, 2001 ("fiscal 2001"), amounted to ¥2,157.3 billion (US$17,398 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly international, comprising 85 manufacturing companies, 33 sales companies, and 38 other companies.

Sanyo's strategic business foci are on the Digital & Devices and Environment fields. Committed to contributing to solving environmental issues, the Company has made the development of technologies that minimize their burdens on the environment an area of strength. It emphasizes such technologies as clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. Notably, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries.

In the Digital & Devices field, Sanyo seeks to become a multimedia device powerhouse by developing pioneering technologies to help drive the digital revolution. The Company's digital cameras, liquid crystal display (LCD) projectors, and cellular and Personal Handyphone System (PHS) phones are highly acclaimed.

Notice Related to Future Outlook

All statements in this annual report other than past factual matters represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in the light of currently available information. Therefore, Sanyo does not guarantee the accuracy and reliability of information it receives and asks that you do not rely on this information alone.

There are various risks and uncertainties related to factors causing changes in business results. The principal factors influencing results include; 1) large changes in economic conditions and capital markets as well as changes in consumption in businesses in which Sanyo engages; 2) the effects of changes in the exchange rates between the yen and the dollar as well as the yen and other currencies on Sanyo's international business activities; 3) various trade restrictions in the markets of each country; and 4) Sanyo's ability to provide new technologies, new products, and services amid rapid technological innovation in information technology (IT), market competition, and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to these factors and that there are other factors that contain latent risks and uncertainties.

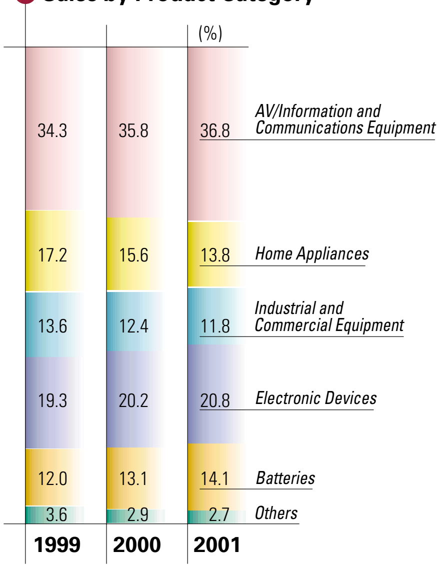
Financial Highlights

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2001, 2000 and 1999

	Millions of Yen 2001	2000	1999	Thousands of U.S. Dollars (Note a) 2001
Net sales	**¥2,157,318**	¥1,940,378	¥1,818,153	**$17,397,726**
Net income (loss)	**42,201**	21,686	(25,883)	**340,331**
Total stockholders' equity	**652,322**	665,454	695,615	**5,260,661**
Total assets	**2,945,274**	2,706,055	2,662,525	**23,752,210**
	Yen			U.S. Dollars (Note a)
Per share (Note b):				
Net income (loss):				
Basic	**¥ 22.6**	¥ 11.5	¥ (13.5)	**$ 0.182**
Diluted	**22.1**	11.4	(13.5)	**0.178**
Cash dividends declared	**6.0**	5.0	5.0	**0.048**
Per American Depositary Share (Notes b and c):				
Net income (loss):				
Basic	**¥ 113.0**	¥ 57.5	¥ (67.5)	**$ 0.911**
Diluted	**110.5**	57.0	(67.5)	**0.891**
Cash dividends declared	**30.0**	25.0	25.0	**0.242**

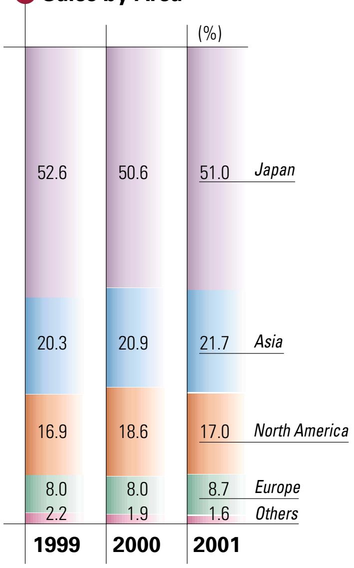
Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=US$1, the approximate Tokyo foreign exchange market rate as of March 30, 2001. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

Sales by Product Category



Note: This graph shows figures of sales to external customers only.

Sales by Area



Note: This graph shows figures of sales to external customers only, according to the geographic regions of customers.

To Our Stockholders

Satoshi Iue,
Chairman & Chief Executive Officer

We are pleased to announce that Sanyo and its consolidated subsidiaries posted a strong performance in fiscal 2001. We recorded growth in net sales and net income.

PERFORMANCE

The global economy fared well during the first half of the fiscal year under review. It began to falter in the second half, however, hampered by a slowdown in the U.S. economy, deteriorating economic recovery in Asia, and economic weakening in Europe, where economies had been strong relative to elsewhere. The Japanese economy remained unable to stage a recovery because of stagnant personal consumption and a drop in the capital expenditures that had been supporting the economy.

To deal with this difficult business climate, Sanyo focused its efforts on expanding its business in the growing digital market. We placed special emphasis on digital cameras and cellular and PHS phones. We also focused on the development of original and improved technology for our key devices, including rechargeable batteries, LCDs, semiconductors, and other electronic components.

Our net sales reflected the success of our efforts, advancing 11.2%, to ¥2,157.3 billion (US$17,398 million). Domestic sales amounted to ¥1,100.3 billion (US$8,873 million), up 12.1%, while overseas sales totaled ¥1,057.0 billion (US$8,525 million), up 10.3%.

For most business segments, sales increased. Sales by the AV/Information and Communications Equipment segment rose 14.1%, to ¥792.8 billion (US$6,394 million), thanks to robust sales of digital cameras, cellular and PHS phones, and optical pickups. The Home Appliances segment, however, saw sales edge down 1.3%, to ¥297.7 billion (US$2,401 million), because weak sales of microwave ovens and other appliances offset firm sales of washing machines and air conditioners. Industrial and Commercial Equipment segment sales increased 6.6%, to ¥256.1 billion (US$2,066 million), with sales of chip mounters boosted by growing information technology (IT)-related demand. Sales of large air conditioners were also favorable. The Electronic Devices segment benefited from strong overall sales of semiconductors and capacitors, with segment sales rising 14.0%, to ¥447.7 billion (US$3,610 million). Our Batteries segment recorded sales of ¥303.9 billion (US$2,451 million), up 19.2%, on strong demand for cellular and PHS phones and rechargeable batteries for PCs, which compensated for price declines resulting from intensifying competition.

Our corporate profitability also improved, thanks to sales increases and cost reductions. Operating income increased 71.7%, to ¥106.6 billion (US$860 million), and income before income taxes and minority interests soared 98.9%, to ¥73.5 billion (US$593 million). Net income climbed 94.6%, to ¥42.2 billion (US$340 million), resulting in basic net income per share of ¥22.6 (US$0.182).

Annual cash dividends for the fiscal year under review totaled ¥6.00 (US$0.048) per share, divided equally into ¥3.00 (US$0.024) year-end and interim cash dividends. Sanyo regards returning profits to stockholders as one of its most important management goals. Our dividend policy targets the stable payment of dividends based on the Company's performance and financial condition.

CHALLENGE 21, OUR MEDIUM-TERM BUSINESS PLAN

The 21st century has heralded the broadband era, bringing further advances in IT and fierce global competition. This is an era when companies must respond quickly to a rapidly changing business environment. At Sanyo, we are keenly interested in the progress toward a network society and greater protection of the environment. We see these trends as opportunities for business growth.

Our target under our medium-term plan is to increase the number of our products that are leaders in their respective fields in the IT market. We are achieving this goal by strengthening our key device business in semiconductors, display devices, electronic components, rechargeable batteries, and other devices, while developing the digital products that will lead the digital revolution. In doing so, we are relying on the core technologies that we have nurtured over the years in key devices.

We intend, moreover, to push forward with our development of the clean-energy generation market. Sanyo boasts original technologies and products in this area.

Low-cost operations are essential to the success of our strategies. To this end, we are reorganizing our production bases in our mature businesses, forming tie-ups and business alliances with other companies, and reforming and streamlining our business structure.

◆ **The Plan:** *Challenge 21* got under way following the end of the fiscal year under review and will run for three years. To achieve its goals, we will become increasingly selective and focused in our businesses and our allocation of business resources. We are taking on the challenge of maximizing our profits and corporate worth.

◆ **Management Goals:** To heighten our profits and corporate worth, we have set the management goal of increasing our return on equity from 6.4% in the fiscal year under review to 9.3% in fiscal 2004. We also are emphasizing cash flow management, which stresses raising investment efficiency and maximizing cash flows in each of our businesses. Our high priority on managing cash flow extends throughout the Sanyo Group on a consolidated basis.

Reforming our business structure entails establishing profit-oriented business models for all our operations. We will be exerting every effort to achieve strong performances in each of the businesses that we designated based on the business group company system introduced in fiscal 2000. By analyzing and setting standards for return on sales and sales growth for each of our businesses, we will proceed with our efforts to focus our business and product development.

Through this process, we plan to make all our businesses solidly profitable. We will also concentrate our business resources on selective fields with high potential for profitability or growth.

◆ **Targeted Fields:** We are targeting the digital and devices and energy and ecology fields. In the digital and devices field, Sanyo boasts first-rate products in a wide range of categories. These include rechargeable batteries and certain large-scale integrated circuits (LSIs) in the device category; digital cameras in the end product category; medical computer systems in the systems category; and diverse devices in the industrial category.

Yukinori Kuwano,
President & Chief Operating Officer

Based on our track record to date, we are strengthening our key devices—combining them and integrating them into new systems. An excellent example of this is our highly popular digital disk camera *iDshot.* This digital disk camera combines our proprietary magneto optical disk technology with our specialty fields of rechargeable batteries, LSIs, display devices, and low-temperature polysilicone thin-film transistor LCDs (TFT-LCDs) to enable the recovering of moving and still pictures functions. Our aim is to greatly expand the number of our products that exhibit the same overwhelming superiority in the market.

To develop superior products for the energy and ecology field, we are strengthening our product development, project, and commercialization capabilities. Our main areas of emphasis are large rechargeable batteries for hybrid electric vehicles (HEVs), solar cells, fuel cells, and health care and environmental products.

◆ **Small Head Office:** Cost-reduction efforts at Sanyo include urgent cuts in the cost of purchasing supplies and a reform of its operating cost structure. To streamline our management and administration organization, we determined that it was necessary to undertake a fundamental reform of administrative divisions that do not contribute directly to our operations. Consequently, in April 2001 we launched a full-scale reform of our head office, aimed at creating a small, strategic administration. We are also separating the head office's functions into strategy and planning and running business operations with the intent of strengthening the office's Group strategy capabilities and further minimizing administrative operations. We will reinforce the functioning of the Strategy Division by substantially streamlining it into a flat, rather than a pyramidal, organization.

◆ **The Challenge of Reducing Costs and of Becoming an IT Organization:** Our underlying business principle is to manufacture products that appeal to customers using a flexible global production platform that can adapt to production conditions worldwide. To expand the capabilities of the Sanyo Group and remain competitive, we have implemented *Smart 21,* a Groupwide production innovation project. The goals of the project are to limit costs, lost time, and the number of defective products manufactured during initial production to further improve product quality and production efficiency.

Amid a steadily emerging ultrahigh-speed communications infrastructure, Sanyo is promoting the computing- and networking-based spread of IT globally. We are, in particular, stressing enterprise resource planning (ERP) and taking measures to develop and enhance the skills of digital technicians and engineers.

ENVIRONMENTAL ISSUES

In 1998, we implemented *Action E21,* our first comprehensive environmental action plan. Based on the environmental management system established under the plan, we are addressing environmental protection from three perspectives: manufacturing processes, products, and personal awareness.

March 2001 witnessed our implementation of a new environmental action plan aimed at achieving specific goals by the end of fiscal 2004. The main thrusts of this new plan are to increase the propor-

tion of environmentally friendly products, introduce product development that achieves a balance between environmental and economic issues, and promote product design that supports recycling by society.

In April 2001, a law requiring the recycling of household appliances came into force in Japan. To comply with its requirements, Sanyo and other companies in the same industry are already mutually using recycling plants that they jointly invested in for this purpose. These facilities make effective use of used air conditioners, televisions, refrigerators, and washing machines as recycled resources as required by the law.

DEVELOPING OUR BATTERY BUSINESS

During fiscal 2001, we took another substantial step forward in the development of our battery business, which is one of our main product fields. We reached an agreement to acquire the nickel-metal hydride battery business of the Toshiba Group, and the transfer was completed in April 2001. Nickel-metal hydride batteries are core products of the rechargeable battery market and are in demand as a power source for cellular and PHS phones and notebook PCs. The acquisition of this business has solidified Sanyo's position as one of the world's top manufacturers of nickel-metal hydride batteries. We will continue to actively develop this field.

In 1999, we developed the world's top-performing nickel-metal hydride battery for HEVs, and we will continue to pioneer HEV battery systems. In January 2001, Sanyo announced that it agreed to be the sole supplier of HEV batteries for Ford Motor Company's new sports utility vehicle (SUV).

PERSPECTIVES

No longer supported by high demand for IT, the global economy is experiencing a slowdown that is spreading from the United States to Asia and Europe. This stagnation is bringing uncertainty to the market. In Japan, consumer sentiment remains weak because of concern about the global economic slowdown and continued instability of Japan's financial system. Any recovery of Japan's economy is expected to take considerably more time.

We intend to meet the challenges of the fiscal year ahead by adhering to the strategies of our medium-term business plan, *Challenge 21.* To speed up our business responses to changes and opportunities in our markets, we are targeting the establishment of new, strategic structures for our production, sales, and service organizations under this plan.

July 2001

Satoshi Iue,
Chairman & Chief Executive Officer

Yukinori Kuwano,
President & Chief Operating Officer

Sanyo Products at Work in the Digital World

TFT-LCDs

In April 2001, Sanyo inaugurated *Challenge 21,* a new medium-term business plan that emphasizes further restructuring. The plan aims to position Sanyo as a leader in key devices, such as semiconductors, displays, electronic components, and rechargeable batteries—its core strengths in digital technology.

We also will target a frontline position in the digital revolution under way in the information and communications market by introducing products that utilize our key devices. To this end, we have decided to allocate approximately 70% of our capital investments to the strategic field of key devices in fiscal 2002.

An array of products using these key devices is shown on the opposite page. As you can see, the products are familiar to our daily lives—cellular and PHS phones, PCs, PDAs, and many others. These products are becoming increasingly necessary to a modern lifestyle, so demand for them is certain to increase.

Our semiconductor product group seeks, for that reason, to rapidly increase the number of Sanyo products that hold the top share of the domestic market. Such top-ranked products numbered 33 at fiscal 2001 year-end. To support the attainment of its goals, the product group has furthered its business alliances with International Business Machines Corp. (IBM) and the Eastman Kodak Company.

We are a major force in the display market. Sanyo boasts strong amorphous TFT, low-temperature polysilicone TFT, and organic electroluminescent technologies and is working to make this business an important provider of information interfaces in the broadband era.

Some of our electronic components, meanwhile, are poised for shipping increases in line with the digitization and shift to high frequencies of end products. These include, in particular, organic semiconductive aluminum solid condensers (OS-CONs), the top OS-CONs in the domestic market, and, polymerized organic semiconductor capacitors (POSCAPs).

Our rechargeable batteries already hold the top share of the global market for batteries for cellular and PHS phones and notebook PCs, but we are targeting an expansion of our share of the rechargeable battery market by developing a new market for our rechargeable batteries in HEVs.

LSIs

APPLICATIONS OF SANYO'S MAJOR KEY DEVICES

Sanyo's Major Devices \ Main Applications	Cellular and PHS Phones	PCs	Notebook PCs	Digital Cameras	Digital TVs	PDAs	Car Navigation Systems	LCD Projectors	Digital Video Cameras	Color Laser Printers	Cameras	Air Conditioners	Motor-Assisted Bicycles	Electric Shavers	Electric Power Tools
Transistors / Diodes	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Linear ICs		●	●	●	●	●	●	●	●	●	●	●			
Logic LSIs		●	●	●	●		●		●	●	●				
Memory Chips	●	●	●	●	●										
Hybrid ICs					●			●		●		●			
LCDs	●	●	●	●		●	●	●	●	●					
Optical Pickups		●	●	●			●								
Red Laser Diodes		●	●	●			●			●					
POSCAPs *	●	●	●	●		●									
OS-CONs **		●	●	●	●		●	●							
Microspeakers	●	●	●	●		●	●	●	●						
Cold Cathode Flat Fluorescent Lamps				●				●							
Precision Motors	●	●	●	●			●		●	●					
Nickel-Cadmium Rechargeable Batteries													●	●	●
Nickel-Metal Hydride Rechargeable Batteries	●		●	●									●	●	●
Lithium-Ion Rechargeable Batteries	●		●	●		●								●	
Lithium-Polymer Rechargeable Batteries	●		●			●									

*POSCAP : A surface-mounted miniature polymerized organic semiconductor capacitor that uses a polymer organic semiconductor
**OS-CON : An aluminum solid capacitor with organic semiconductive electrolytes


Lithium-Ion Rechargeable Batteries


POSCAPs


OS-CONs

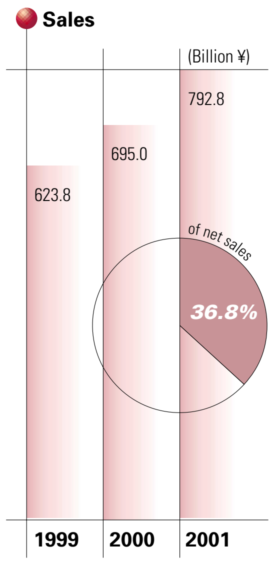

Red Laser Diodes for DVD Recording


Laser Pickups for DVD-ROM


Lithium-Polymer Rechargeable Batteries

AV/INFORMATION AND COMMUNICATIONS EQUIPMENT

◆ Color TVs ◆ VCRs ◆ Video Cameras ◆ Digital Cameras ◆ LCD Projectors ◆ High-Definition TV Systems ◆ CD Players ◆ Mini Disc Players ◆ Automotive Stereo Components ◆ CDs ◆ Optical Pickups ◆ Facsimiles ◆ Cordless Telephones ◆ Cellular Phones ◆ PHS Phones ◆ PHS Base Stations ◆ Medical Computer Systems ◆ Hotel Computer Systems ◆ Portable Navigation Systems ◆ LCD Monitors ◆ CD-R/RW Systems ◆ DVD-ROM Systems



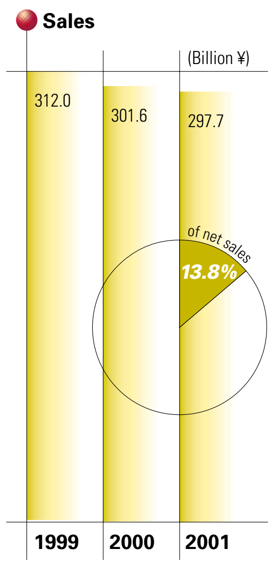
Sales of AV/Information and Communications Equipment advanced 14.1% from the previous fiscal year, to ¥792,813 million (US$6,394 million), and accounted for 36.8% of Sanyo's consolidated net sales. Among principal products, sales of TVs declined 8.2%, while sales of digital cameras, cellular and PHS phones, and optical pickups expanded substantially. Sales of such information equipment as CD-R/RW systems and medical computer systems, and LCD projectors likewise rose.

Domestic sales of AV/Information and Communications Equipment increased 23.1%, to ¥383,602 million (US$3,094 million), and accounted for 34.9% of domestic sales. Influenced by overall market trends, sales of TVs were down, but this decline was more than compensated for by robust sales of digital cameras, cellular and PHS phones, and information equipment. In particular, sales of LCD projectors more than doubled. Sales, however, of optical pickups were approximately the same as in the previous fiscal year.

Overseas sales of AV/Information and Communications Equipment rose 6.7%, to ¥409,211 million (US$3,300 million). This represented 38.8% of overseas sales. Sales of TVs did not decline as much they did in Japan, and sales of LCD projectors and other information equipment increased. In addition, sales of cellular phones continued to expand, and sales of optical pickups surged.

HOME APPLIANCES

◆ Refrigerators ◆ Freezers ◆ Washing Machines ◆ Clothes Dryers ◆ Microwave Ovens ◆ Air Conditioners ◆ Vacuum Cleaners ◆ Electric Fans ◆ Massage Loungers ◆ Toasters, Rice Cookers, Water Purifiers and Waste Disposers, and Other Household Kitchen Appliances ◆ System Kitchens ◆ Electric, Gas, and Kerosene Heating Equipment ◆ Dehumidifiers ◆ Cold-Air Blowers ◆ Motor-Assisted Bicycles ◆ Electronic and Electric Products for Bicycles ◆ Home-Use Pumps ◆ Medical Sterlizing Equipment ◆ Medical-Use Refrigerators ◆ Ultralow-Temperature Freezers ◆ Automatic Tablet-Wrapping Machines ◆ Compressors for Freezers/Refrigerators and Air Conditioners



Sales of Home Appliances decreased 1.3%, to ¥297,730 million (US$2,401 million), and contributed 13.8% of consolidated net sales. Although sales of washing machines, air conditioners, and refrigerators expanded, sales of microwave ovens and compressors declined.

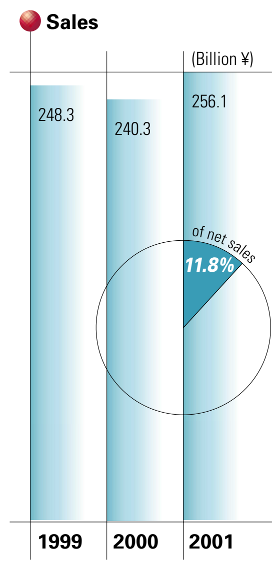
Domestic sales of Home Appliances were approximately the same as in the previous fiscal year, amounting to ¥195,705 million (US$1,578 million) and accounting for 17.7% of domestic sales. Domestic sales results were similar to those for the entire product group, with sales of washing machines, air conditioners, and refrigerators posting growth.

Overseas sales of Home Appliances fell 3.7%, to ¥102,025 million (US$823 million), generating 9.6% of overseas sales. Although sales of refrigerators edged down, sales of air conditioners and compressors advanced.

During the fiscal year under review, Sanyo started a new environmental business—commercializing equipment that easily removes phosphorus from industrial wastewater. Sales of a model for medium-sized plants are scheduled to begin in fiscal 2002. The Company has already developed a compact model for home use that it will begin supplying to a manufacturer of water-purifying tanks during 2001.

INDUSTRIAL AND COMMERCIAL EQUIPMENT

◆ Refrigerated Showcases, Freezer Showcases, Water Coolers ◆ Supermarket Showcases ◆ Prefabricated Freezers and Refrigerators, and Other Commercial Kitchen Equipment ◆ Condensing Units ◆ Package Air Conditioners ◆ Gas-Engine Heat-Pump Air Conditioners ◆ Absorption Chiller/Heaters ◆ Vending Machines ◆ Beverage Dispensers ◆ Golf Cart Systems ◆ Automatic Chip Mounters



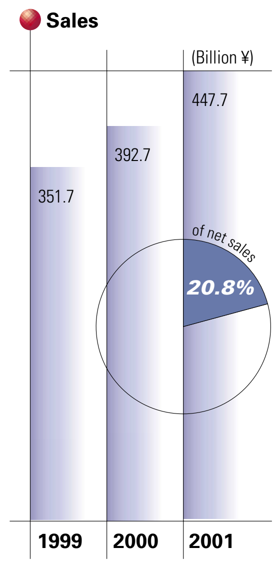
Sales of Industrial and Commercial Equipment increased 6.6%, to ¥256,142 million (US$2,066 million), and constituted 11.8% of consolidated net sales. Automatic chip mounters were strong, thanks to IT-related demand, while sales of supermarket showcases and package air conditioners were brisk. Sales of absorption chillers and heaters expanded substantially. Weaker performances came from vending machines and commercial kitchen appliances, sales of which declined.

Domestic Industrial and Commercial Equipment sales expanded 4.2%, to ¥213,410 million (US$1,721 million), and made up 19.4% of domestic sales. Apart from the declines in sales of vending machines and commercial kitchen appliances, most products recorded sales growth.

Overseas sales of Industrial and Commercial Equipment climbed 20.4%, to ¥42,732 million (US$345 million), and accounted for 4.0% of overseas sales. Sales of absorption chillers and heaters, supermarket showcases, package air conditioners, and commercial kitchen appliances increased.

ELECTRONIC DEVICES

◆ MOS-LSIs ◆ BIP-LSIs ◆ Thick-Film ICs ◆ LCDs ◆ LEDs ◆ Transistors ◆ Diodes ◆ Laser Diodes ◆ Organic Semiconductive Condensers ◆ Electronic Components



Sales of Electronic Devices rose 14.0%, to ¥447,654 million (US$3,610 million), to account for 20.8% of consolidated net sales. Among principal products, sales of LCDs slipped, but semiconductor sales expanded sharply, particularly for electronic components and capacitors.

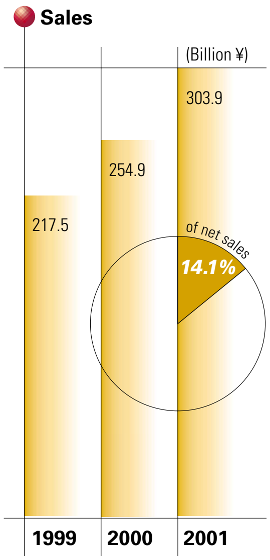
Domestic sales of Electronic Devices increased 13.8%, to ¥180,168 million (US$1,453 million), and accounted for 16.4% of domestic sales. Sales of metal-oxide semiconductor LSIs (MOS-LSIs) and bipolar LSIs (BIP-LSIs) increased, as did sales of electronic components, which jumped nearly 40%.

Overseas sales of Electronic Devices climbed 14.1%, to ¥267,486 million (US$2,157 million), and made up 25.4% of overseas sales. Sanyo recorded robust sales of semiconductors and other electronic components.

For Sanyo, a highlight of the fiscal year was its announcement of its collaboration with Eastman Kodak in developing a 5.5-inch, full-color, active matrix organic electroluminescent display. Organic electroluminescent displays are gaining acclaim as the next-generation display replacement for LCDs.

BATTERIES

◆ Nickel-Cadmium Rechargeable Batteries ◆ Lithium-Ion Rechargeable Batteries ◆ Nickel-Metal Hydride Rechargeable Batteries ◆ Lithium Batteries ◆ Alkaline Batteries ◆ Manganese Batteries ◆ Solar Cells ◆ Solar-Cell Power Systems ◆ Shavers



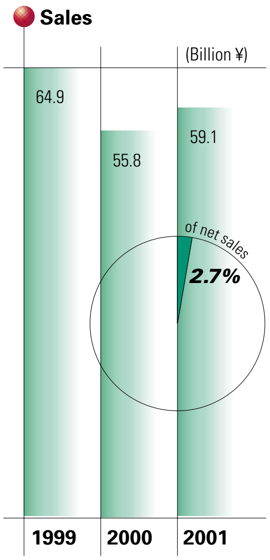
Sales of Batteries jumped 19.2%, to ¥303,863 million (US$2,451 million), to represent 14.1% of consolidated net sales. Despite fierce price competition, sales of lithium-ion rechargeable batteries and nickel-metal hydride rechargeable batteries surged because of booming demand for their use in cellular and PHS phones and PCs. Sanyo also recorded higher sales of lithium batteries.

Domestic Batteries sales rose 18.5%, to ¥79,353 million (US$640 million), to make up 7.2% of domestic sales. Slumping sales of nickel-cadmium rechargeable batteries were offset by substantial growth in sales of lithium-ion rechargeable batteries, which are high-volume products. Nickel-metal hydride rechargeable batteries also recorded sales gains.

Overseas sales of Batteries soared 19.5%, to ¥224,510 million (US$1,811 million), and constituted 21.2% of overseas sales. Although sales of nickel-cadmium rechargeable batteries declined, Sanyo recorded remarkable growth in sales of nickel-metal hydride rechargeable, lithium-ion rechargeable, and lithium batteries.

To keep pace with growing global demand for lithium-ion rechargeable batteries, Sanyo established two new production bases in November 2000, in Dallas, Texas, in the United States, and in Beijing, in the People's Republic of China. Sanyo is also planning to manufacture cells for lithium-ion rechargeable batteries at its nickel-metal hydride rechargeable battery plant in Dörög, Hungary. The four production bases in Japan, Europe, the United States, and China will enable Sanyo to quickly meet its customers' supply needs globally.

OTHERS



Sales of Others include sales of a number of such items as imported goods, molds, and various parts. In fiscal 2001, sales of Others increased 5.9%, to ¥59,116 million (US$477 million), and constituted 2.7% of consolidated net sales. This is attributed to the increased sales of such imported goods as plywood and aluminum products.

Research and Development


Group R&D Headquarters

Sanyo's new digital disk camera, *iDshot,* was released in Japan in February 2001 and in the United States, Europe, and other countries in May. It allows users to record and play back high-resolution stills and video clips with the same resolution as Super-VHS format.

The recording media used in *iDshot, iD PHOTO,* is the world's smallest*1 high-density rewritable optical disk. It provides 730 MBs of storage capacity on a 50-millimeter disk and is made possible by the *iD Format Standard,* a next-generation, large-capacity media standard for digital disk cameras developed jointly by Sanyo, Olympus Optical Co., Ltd., and Hitachi Maxell, Ltd. The combined development of innovative high-density recording and playback and data reliability technologies has allowed users to record approximately two hours of video clips or 12,000 high-resolution still pictures.

The *iDshot's* vertical pixel mixture (VPmix CCD*2) converts signals to high-quality moving images and high-definition still images using only one CCD. This CCD achieves extremely high resolution both in still format, at 1.5 million megapixels, and video format, at 30 frames per second, using a high-quality video graphics array (VGA). Thanks to a high-speed hyper RISC graphic processor (HRGP*3), *iDshot* has taken a quantum leap forward in ease of image recording, replaying, and editing.

At Sanyo, the research and development of new products is carried out on three levels. The research centers of the Sanyo Group R&D Headquarters focus on developing basic technologies. Meanwhile, the product development research centers of the business group companies work on technologies to commercialize new products. The operating divisions handle commercialization and production.

In developing *iDshot,* the Sanyo Group R&D Headquarters' Hypermedia and Microelectronics research centers developed the *iD PHOTO* disk and drive mechanism technologies as well as the basic technologies for high-speed image processing. The Multimedia Product Development Center of our Multimedia Company, meanwhile, developed the VPmix CCD and the applied technologies to commercialize the basic technologies.

The Optical Media Device Division of our Multimedia Company developed the laser pickup for the *iD PHOTO* disk, while the Semiconductor Company's LSI Division developed the LSI to convert the camera signal. Finally, the Multimedia Company's Video Imaging Systems Division commercialized and began manufacturing *iDshot.*

**1 As of January 2001, this disk was the smallest in the world on the consumer market (Source: Sanyo).*
**2 VPmix CCD: A vertical pixel mixture charge-coupled device*
**3: HRGP: A high-speed hyper reduced instruction set computer graphic processor*

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2001, 2000, 1999, 1998 and 1997

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2001	2000	1999	1998	1997	**2001**
For the year:						
Net sales	**¥2,157,318**	¥1,940,378	¥1,818,153	¥1,866,426	¥1,793,004	**$17,397,726**
Operating income	**106,591**	62,095	31,768	62,352	61,309	**859,605**
Income (loss) before income taxes and minority interests	**73,484**	36,953	(14,964)	40,753	45,612	**592,613**
Net income (loss)	**42,201**	21,686	(25,883)	12,320	17,674	**340,331**
Capital expenditure	**169,990**	90,226	88,811	133,103	119,273	**1,370,887**
Depreciation and amortization	**117,289**	98,711	102,952	101,091	99,969	**945,879**
At the year-end:						
Total stockholders' equity	**¥ 652,322**	¥ 665,454	¥ 695,615	¥ 750,572	¥ 775,805	**$ 5,260,661**
Total assets	**2,945,274**	2,706,055	2,662,525	2,641,894	2,518,056	**23,752,210**
Per share:						
(yen and U.S. dollars) (Note b):						
Net income (loss):						
Basic	**¥ 22.6**	¥ 11.5	¥ (13.5)	¥ 6.3	¥ 9.1	**$ 0.182**
Diluted	**22.1**	11.4	(13.5)	6.3	9.0	**0.178**
Cash dividends declared	**6.0**	5.0	5.0	5.0	5.0	**0.048**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes b and c):						
Net income (loss):						
Basic	**¥ 113.0**	¥ 57.5	¥ (67.5)	¥ 31.5	¥ 45.5	**$ 0.911**
Diluted	**110.5**	57.0	(67.5)	31.5	45.0	**0.891**
Cash dividends declared	**30.0**	25.0	25.0	25.0	25.0	**0.242**
Weighted average number of shares (thousands) (Note b)	**1,871,376**	1,889,477	1,920,197	1,951,099	1,951,062	
Sales by product category:						
AV/Information and Communications Equipment	**¥ 792,813**	¥ 694,975	¥ 623,774	¥ 622,079	¥ 585,498	**$ 6,393,653**
Home Appliances	**297,730**	301,637	311,987	318,092	379,440	**2,401,049**
Industrial and Commercial Equipment	**256,142**	240,325	248,269	265,068	263,692	**2,065,661**
Electronic Devices	**447,654**	392,726	351,727	368,097	327,710	**3,610,113**
Batteries	**303,863**	254,906	217,474	223,350	183,289	**2,450,508**
Others	**59,116**	55,809	64,922	69,740	53,375	**476,742**
Net sales	**¥2,157,318**	¥1,940,378	¥1,818,153	¥1,866,426	¥1,793,004	**$17,397,726**
Sales by area:						
Japan	**¥1,100,278**	¥ 981,682	¥ 956,538	¥ 991,726	¥1,003,665	**$ 8,873,210**
Asia	**468,458**	405,493	368,498	379,638	344,301	**3,777,887**
North America	**365,726**	361,177	307,949	298,305	258,334	**2,949,403**
Europe	**187,542**	155,389	146,272	142,731	122,644	**1,512,436**
Others	**35,314**	36,637	38,896	54,026	64,060	**284,790**
Net sales	**¥2,157,318**	¥1,940,378	¥1,818,153	¥1,866,426	¥1,793,004	**$17,397,726**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 1,060**	¥ 694	¥ 434	¥ 535	¥ 680	**$ 8.55**
Low	**616**	385	297	290	404	**4.97**
Number of employees (at the year-end)	**86,009**	83,519	77,071	67,887	67,827	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=US$1, the approximate Tokyo foreign exchange market rate as of March 30, 2001. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 15 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

Financial Review

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2001 and 2000

Overview

In fiscal 2001, the Japanese economy mounted a mild recovery, supported by IT-related capital investment. Japan's economy, however, was unable to maintain its recovery due to an emerging slowdown in the U.S. economy, as exports and mining and manufacturing began to fall off. Furthermore, capital investment also began to show signs of declining in early 2001.

In the high-flying U.S. economy, a fall in real gross domestic product growth in the second half of the fiscal year provided evidence of the slowdown. Indications that the American economy was entering a period of adjustment grew stronger.

In Europe, economies had fared well during the fiscal year thanks to strong exports driven by the weak euro. But European economies, too, were affected by the economic slowdown sweeping the world, and their future direction became unclear.

Even the economies in Asia outside Japan, where the tempo of recovery had been picking up during the fiscal year, felt the impact of the slowdown, especially that of the U.S. economy. A negative mood spread throughout these economies based on a fear of deteriorating exports and other concerns.

Against this background, Sanyo, in line with its medium- and long-term business plans, pursued the expansion of its business base in the digital market, which is growing mainly on rising demand for digital cameras and cellular and PHS phones. Sanyo also endeavored to develop superior proprietary technologies and to increase its business in such key devices as rechargeable batteries, LCDs, semiconductors, and electronic components.

As a result of these efforts, net sales climbed 11.2%, to ¥2,157.3 billion (US$17,398 million), while operating revenue rose 13.3%, to ¥83.7 billion (US$675 million). Operating income increased 71.7%, to ¥106.6 billion (US$860 million), and net income jumped 94.6%, to ¥42.2 billion (US$340 million). Free cash flow for the fiscal year was negative, with a cash outflow of ¥27.4 billion (US$221 million) because of Sanyo's increase in strategic investments in its fields of emphasis.

In keeping with Sanyo's policy of paying dividends and in consideration of fiscal performance, the Company declared an annual dividend of ¥6.0 (US$0.048) per share, up ¥1.0 per share from the previous fiscal year. Cash dividends per American Depositary Share (representing five shares of common stock) increased ¥5.0, to ¥30.0 (US$0.242) per share.

Segment Information

The Sanyo's operations are classified into six segments: AV/Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others.

The following tables present information by business and geographic segments as of and for the years ended March 31, 2001 and 2000, and have been prepared in accordance with accounting standards generally accepted in Japan.

Business Segment (Unaudited)

	2001						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	**¥ 792.8**	**¥ 2.5**	**¥ 795.3**	**¥ 17.4**	**¥ 527.5**	**¥ 21.3**	**¥ 22.0**
Home Appliances	**297.7**	**6.6**	**304.3**	**1.4**	**286.4**	**12.6**	**13.8**
Industrial and Commercial Equipment	**256.1**	**2.8**	**258.9**	**14.7**	**196.5**	**5.2**	**5.8**
Electronic Devices	**447.7**	**17.8**	**465.5**	**36.3**	**610.2**	**45.7**	**87.1**
Batteries	**303.9**	**5.4**	**309.3**	**38.5**	**298.6**	**24.1**	**33.7**
Others	**142.8**	**11.6**	**154.4**	**20.2**	**590.7**	**4.0**	**5.8**
Sub-total	**2,241.0**	**46.7**	**2,287.7**	**128.5**	**2,509.9**	**112.9**	**168.2**
Corporate and eliminations	**—**	**(46.7)**	**(46.7)**	**(21.9)**	**435.4**	**4.4**	**1.8**
Total	**¥2,241.0**	**¥ —**	**¥2,241.0**	**¥106.6**	**¥2,945.3**	**¥117.3**	**¥170.0**
	Millions of U.S. Dollars						
AV/Information and Communications Equipment	**$ 6,394**	**$ 20**	**$ 6,414**	**$ 140**	**$ 4,254**	**$172**	**$ 177**
Home Appliances	**2,401**	**53**	**2,454**	**11**	**2,309**	**101**	**111**
Industrial and Commercial Equipment	**2,065**	**23**	**2,088**	**119**	**1,585**	**42**	**47**
Electronic Devices	**3,610**	**144**	**3,754**	**293**	**4,921**	**369**	**702**
Batteries	**2,451**	**43**	**2,494**	**310**	**2,408**	**194**	**272**
Others	**1,152**	**93**	**1,245**	**163**	**4,764**	**32**	**47**
Sub-total	**18,073**	**376**	**18,449**	**1,036**	**20,241**	**910**	**1,356**
Corporate and eliminations	**—**	**(376)**	**(376)**	**(176)**	**3,511**	**36**	**15**
Total	**$18,073**	**$ —**	**$18,073**	**$ 860**	**$23,752**	**$946**	**$1,371**

	2000						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 695.0	¥ 2.5	¥ 697.5	¥11.0	¥ 390.1	¥16.3	¥17.5
Home Appliances	301.6	4.9	306.5	(5.7)	288.5	13.0	9.5
Industrial and Commercial Equipment	240.3	3.1	243.4	9.8	207.3	5.0	3.5
Electronic Devices	392.7	11.0	403.7	17.3	600.9	41.0	26.9
Batteries	255.0	5.1	260.1	35.7	257.8	15.9	23.4
Others	129.7	12.8	142.5	15.2	567.2	3.3	5.1
Sub-total	2,014.3	39.4	2,053.7	83.3	2,311.8	94.5	85.9
Corporate and eliminations	—	(39.4)	(39.4)	(21.2)	394.3	4.2	4.3
Total	¥2,014.3	¥ —	¥2,014.3	¥62.1	¥2,706.1	¥98.7	¥90.2

Geographic Segment (Unaudited)

	2001				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	**¥1,522.6**	**¥ 432.8**	**¥1,955.4**	**¥108.1**	**¥2,070.7**
Asia	**313.8**	**223.1**	**536.9**	**12.4**	**247.6**
North America	**256.1**	**5.0**	**261.1**	**7.4**	**153.2**
Others	**148.5**	**0.9**	**149.4**	**0.6**	**59.0**
Sub-total	**2,241.0**	**661.8**	**2,902.8**	**128.5**	**2,530.5**
Corporate and eliminations	**—**	**(661.8)**	**(661.8)**	**(21.9)**	**414.8**
Total	**¥2,241.0**	**¥ —**	**¥2,241.0**	**¥106.6**	**¥2,945.3**
	Millions of U.S. Dollars				
Japan	**$12,279**	**$ 3,490**	**$15,769**	**$ 872**	**$16,699**
Asia	**2,531**	**1,799**	**4,330**	**100**	**1,997**
North America	**2,065**	**41**	**2,106**	**59**	**1,235**
Others	**1,198**	**7**	**1,205**	**5**	**476**
Sub-total	**18,073**	**5,337**	**23,410**	**1,036**	**20,407**
Corporate and eliminations	**—**	**(5,337)**	**(5,337)**	**(176)**	**3,345**
Total	**$18,073**	**$ —**	**$18,073**	**$ 860**	**$23,752**

	2000				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,402.5	¥381.1	¥1,783.6	¥61.9	¥1,945.7
Asia	231.9	201.9	433.8	8.4	182.9
North America	238.8	5.2	244.0	9.3	137.6
Others	141.1	1.1	142.2	3.7	45.5
Sub-total	2,014.3	589.3	2,603.6	83.3	2,311.7
Corporate and eliminations	—	(589.3)	(589.3)	(21.2)	394.4
Total	¥2,014.3	¥ —	¥2,014.3	¥62.1	¥2,706.1

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥124=US$1, the approximate Tokyo foreign exchange market rate as of March 30, 2001.

Net Sales and Operating Revenue

Net sales and operating revenue increased ¥226.7 billion, or 11.3%, to ¥2,241.0 billion (US$18,073 million). This was due mainly to firm sales of AV/Information and Communications Equipment, Electronic Devices, and Batteries.

Domestic net sales and operating revenue rose ¥128.5 billion, or 12.2%, to ¥1,180.4 billion (US$9,519 million), while overseas net sales and operating revenue advanced ¥98.2 billion, or 10.2%, to ¥1,060.6 billion (US$8,554 million). As a result, overseas net sales and operating revenue as a percentage of total net sales and operating revenue declined 0.5 percentage points, to 47.3%.

Business Segment

● AV/Information and Communications Equipment

Sales increased 14.0%, to ¥795.3 billion (US$6,414 million), due primarily to volume increases in ongoing operations. Operating income also rose 58.2%, to ¥17.4 billion (US$140 million). The volume increases were driven by digital cameras, due to the strength of Sanyo's technology; cellular and PHS phones, principally resulting from new model introductions and the constant increases in demand for cellular and PHS phones; and LCD projectors and optical pickups due mainly to favorable IT-related demand.

● Home Appliances

Sales amounted to ¥304.3 billion (US$2,454 million), a slight decrease from the previous year. This was due mainly to sluggish overseas sales of microwave ovens, which were partially offset by a steady increase in sales of refrigerators, air conditioners, and washing machines. Operating income improved to ¥1.4 billion (US$11 million) from an operating loss of ¥5.7 billion in the previous year, due primarily to cost reductions resulting from restructuring of operations.

● Industrial and Commercial Equipment

Sales increased 6.4%, to ¥258.9 billion (US$2,088 million), due mainly to an increase in sales of chip mounters resulting from expanding capital investment in the semiconductor industry. Operating income increased 50.0%, to ¥14.7 billion (US$119 million), due primarily to increased volume and a favorable product mix.

● Electronic Devices

Sales of Electronic Devices rose 15.3%, to ¥465.5 billion (US$3,754 million), due to volume increases resulting from good worldwide market conditions and favorable currency movements for electronic components and LSI operations, partially offset by decreased sales of LCDs. Operating income improved 109.8%, to ¥36.3 billion (US$293 million), due mainly to unit cost reductions resulting from volume increases.

● Batteries

Sanyo keeps a strong market position in rechargeable batteries with its superior design and manufacturing technologies. Products with rechargeable batteries, such as cellular and PHS phones and computers constantly increased their sales due to strong consumer demand. As a result, sales increased 18.9%, to ¥309.3 billion (US$2,494 million), due to the volume increases and favorable currency movement, partially offset by decreased prices. Operating income increased only 7.8%, to ¥38.5 billion (US$310 million), because of severe price competition, despite increased sales volume.

● Others

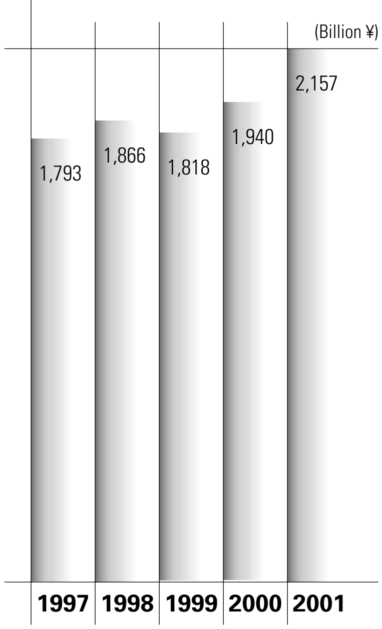
Sales and operating revenue in this segment increased 8.4%, to ¥154.4 billion (US$1,245 million), due primarily to the expansion of corporate loans focusing on strategic industries as well as an increase of finance leases in credit operations. As a result, operating income rose 32.9%, to ¥20.2 billion (US$163 million).

Geographic Segment

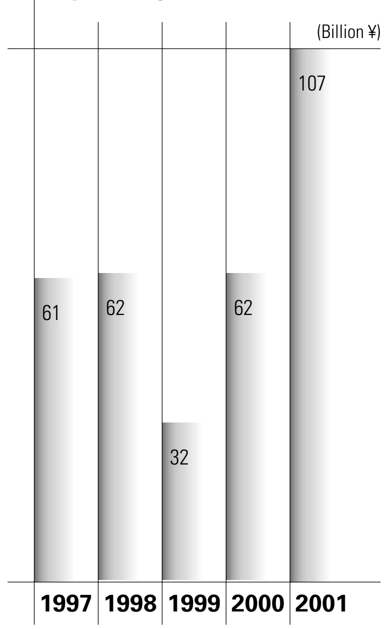
● Japan

Net sales and operating revenue increased ¥171.8 billion, or 9.6%, to ¥1,955.4 billion (US$15,769 million), due primarily to the continued

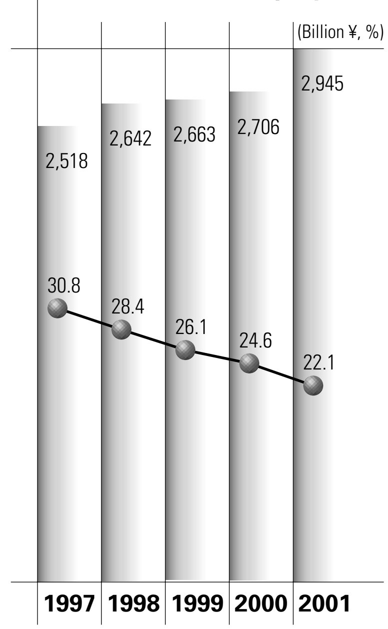
Net Sales



Operating Income



Total Assets and Equity Ratio



strong growth in IT-related sales. Operating income rose substantially ¥46.2 billion, or 74.6%, to ¥108.1 billion (US$872 million), resulting from growth in sales and profits in Japan.

● Asia

Net sales and operating revenue advanced ¥103.1 billion, or 23.8%, to ¥536.9 billion (US$4,330 million), thanks to the favorable Asian economies. Despite a weak recovery, this region proved to be a shining star in overall performance along with Japan. Operating income was also up, rising ¥4.0 billion, or 47.6%, to ¥12.4 billion (US$100 million).

● North America

Net sales and operating revenue increased ¥17.1 billion, or 7.0%, to ¥261.1 billion (US$2,106 million). With the pace of growth falling along with the slowdown in the U.S. economy and the emerging period of adjustment, operating income declined ¥1.9 billion, or 20.4%, to ¥7.4 billion (US$59 million).

● Others

Net sales and operating revenue climbed ¥7.2 billion, or 5.1%, to ¥149.4 billion (US$1,205 million). But a stalling of European economies, with no clear signs of recovery on the horizon, caused operating income to drop ¥3.1 billion, or 83.8%, to ¥0.6 billion (US$5 million).

Costs, Expenses, and Earnings

Cost of sales amounted to ¥1,767.4 billion (US$14,253 million), an increase of ¥168.2 billion, or 10.5%, from the previous fiscal year. The cost of sales ratio edged down 0.5 percentage points, to 81.9%, from 82.4% in the preceding fiscal year, due primarily to cost reductions achieved by cost saving efforts and higher volume, partially offset by sales price decreases for some products made in response to greater competition.

On the other hand, the increase in selling, general and administrative (SG&A) expenses was held at ¥14.1 billion, or 4.0%, with SG&A expenses rising to ¥367.0 billion (US$2,960 million.) This result reflects efforts to reduce expenses in all principal categories with the exception of expenses related to strategic investment in R&D.

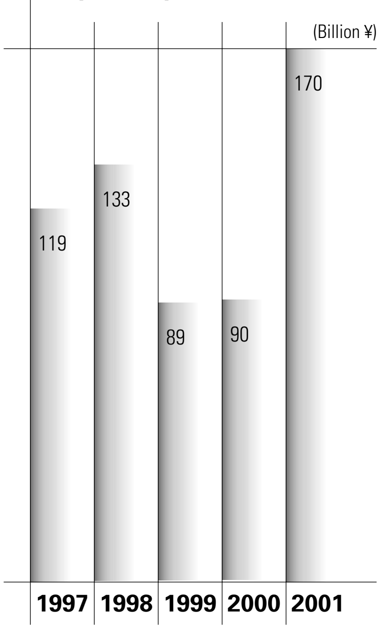
During the fiscal year, Sanyo continued to invest in R&D in its fields of emphasis, considering such investment essential to developing superior proprietary technologies. R&D expenses rose ¥9.2 billion, or 9.3%, to ¥108.8 billion (US$878 million). R&D expenses as a percentage of net sales amounted to 5.1%, virtually unchanged from the previous fiscal year.

Consequently, due mainly to an increase in gross profits, operating income soared ¥44.5 billion, or 71.7%, to ¥106.6 billion (US$860 million). Operating income rose in all business sectors, especially in Electronic Devices, which posted a ¥19.0 billion gain.

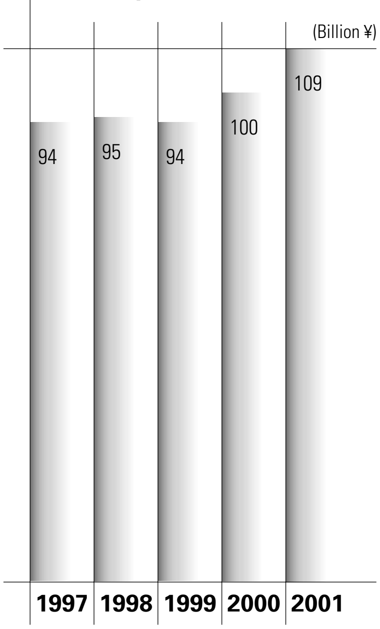
Other expenses, net, expanded ¥8.0 billion, to ¥33.1 billion (US$267 million). Among other expenses, net, interest expenses, net, declined ¥1.9 billion, to ¥16.8 billion (US$135 million), because of a reduction in market interest rates and an increase in interest and dividend income. Others, net, increased ¥9.9 billion, to ¥16.4 billion (US$132 million), due primarily to loss on sales and revaluation of investments in securities compared to the previous year's gain on sales of investments in securities, which was partially offset by foreign currency transactions resulting in a net gain compared to the previous year's net loss.

As a result of the preceding factors, income before income taxes and minority interests amounted to ¥73.5 billion (US$593 million), up by ¥36.5 billion, or 98.9%—virtually double that of the previous fiscal year. Income before minority interests jumped ¥21.2 billion, or 80.7%, to ¥47.4 billion (US$382 million). The growth difference in the previous two items resulted from the effective tax rate rising to 35.5% in the fiscal year under review compared with 29.0% in the previous fiscal year. After deducting minority interests, Sanyo

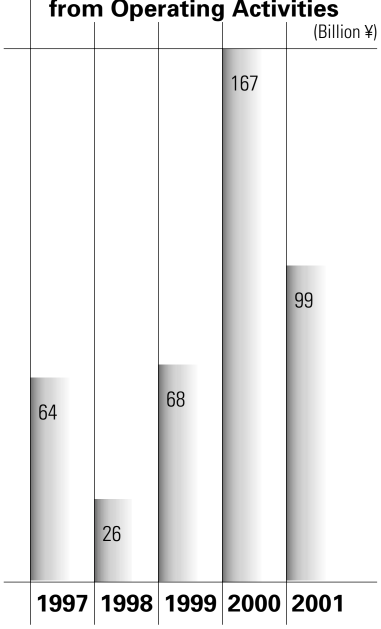
Capital Expenditure



R&D Expenses



Cash Flows from Operating Activities



recorded net income of ¥42.2 billion (US$340 million), advancing ¥20.5 billion, or 94.6%, from the previous fiscal year.

Basic net income per share was ¥22.6 (US$0.182), up ¥11.1 from the previous fiscal year. Basic net income per ADS advanced ¥55.5, to ¥113.0 (US$0.911).

Financial Position

Total assets at the fiscal year-end rose ¥239.2 billion, or 8.8%, to ¥2,945.3 billion (US$23,752 million).

By type of asset, total current assets rose ¥17.3 billion, to ¥1,608.0 billion (US$12,968 million). The main factor contributing to this growth was a ¥119.1 billion increase in receivables, to ¥690.8 billion (US$5,571 million). The major components of this increase were a ¥71.0 billion expansion in notes and accounts receivable, owing to the increase in sales, and a ¥33.8 billion increase in finance receivables, triggered by growth in credit business. Inventories climbed ¥47.6 billion, to ¥431.2 billion (US$3,478 million), principally because of the expansion in production.

Factors that contributed to a decrease in current assets included an ¥11.9 billion decline in cash and time deposits, to ¥329.6 billion (US$2,658 million), related mainly to increased purchases of property, plant and equipment, as detailed in the following section. Short-term investments decreased ¥50.0 billion (US$403 million), due mainly to the reclassification of securities from current to noncurrent.

Investments and advances jumped ¥142.3 billion, to ¥351.0 billion (US$2,831 million), primarily due to the reclassification of securities from current assets and the purchase of investment securities.

During the fiscal year, Sanyo invested a total of ¥170.0 billion in property, plant and equipment in its fields of emphasis. As a result of an increase in accumulated depreciation and other factors, property, plant and equipment advanced ¥61.2 billion, to ¥700.1 billion (US$5,646 million).

Total liabilities expanded ¥243.7 billion, or 12.2%, to ¥2,244.1 billion (US$18,097 million). Of this amount, total short- and long-term interest-bearing debt increased ¥41.1 billion, to ¥1,187.2 billion (US$9,574 million). Net funding derived from proceeds and repayments recorded in cash flows from financing activities totaled ¥21.1 billion.

Considering interest-bearing debt separately, short-term borrowings increased ¥24.9 billion, to ¥437.6 billion (US$3,529 million), while the long-term debt including the current portion of long-term debt rose ¥16.2 billion, to ¥749.6 billion (US$6,045 million). Under long-term debt, a ¥60.0 billion straight bond issue was made during the fiscal year. This increase was balanced by four regularly scheduled redemptions totaling ¥31.7 billion.

Operating liabilities and other liabilities rose ¥202.6 billion, to ¥1,056.9 billion (US$8,523 million). This increase can be attributed to a ¥124.8 billion jump in notes and accounts payable, reflecting the growth in sales and production volume and the high level of capital investment. In addition, other current liabilities, including accrued dividends payable and accrued expenses, increased ¥47.1 billion, and accrued pension and severance costs grew ¥34.8 billion, primarily due to a rise in projected benefit obligations.

Total stockholders' equity decreased ¥13.1 billion, or 2.0%, to ¥652.3 billion (US$5,261 million), and the stockholders' equity ratio declined 2.5 percentage points, to 22.1%, from 24.6%. The main factor underlying the decrease in stockholders' equity was the ¥43.2 billion growth in accumulated other comprehensive loss, including an increase in unrealized holding losses on securities and minimum pension liability adjustments, which offset the ¥31.0 billion rise in retained earnings.

Cash Flows

Cash and cash equivalents (hereafter referred to as cash) at the end of the fiscal period amounted to ¥329.6 billion (US$2,658 million), down ¥11.9 billion from the previous fiscal year-end. This amount is approximately 1.8 months of average monthly sales, representing adequate liquidity for normal business operations.

Net cash provided by operating activities decreased ¥67.5 billion from the previous fiscal year, to ¥99.3 billion (US$801 million). Net cash inflow amounted to ¥160.0 billion (US$1,290 million), up ¥64.9 billion from the previous fiscal year. This increase was due to greater net income and an increase in noncash items. On the other hand, changes in assets and liabilities produced a net cash outflow of ¥81.7 billion (US$659 million), compared with the net cash inflow of ¥46.2 billion in the previous fiscal year. This cash outflow mainly arose from an increase in receivables due to growth in sales and in inventories due to expanded production.

Net cash used in investing activities amounted to ¥126.7 billion (US$1,022 million), up ¥50.9 billion from the previous fiscal year. This growth resulted from a ¥44.0 billion increase in payments for purchases of property, plant and equipment, to ¥123.6 billion (US$997 million), in line with Sanyo's active capital investment in semiconductors, LCDs, rechargeable batteries, and other key devices.

Free cash flow—the net of cash flow from operating activities and investing activities—amounted to a negative free cash flow of ¥27.4 billion (US$221 million) compared with a free cash flow of ¥91.1 billion in the previous fiscal year.

Net cash provided by financing activities amounted to ¥9.4 billion (US$76 million), compared with net cash used of ¥64.0 billion in the previous fiscal year. In the previous fiscal year, there was an overall net repayment of long-term interest-bearing debt of ¥39.3 billion.

Although efforts to reduce long-term liabilities were continued in the fiscal year, the Company made a ¥50.0 billion (US$403 million) straight bond issue to fund new capital investments and increased its short-term borrowings to provide working capital for business expansion. Consequently, net funds raised amounted to ¥21.1 billion and dividends paid amounted to ¥10.8 billion (US$87 million). Although a payment of ¥15.1 billion was made in the previous fiscal year for the repurchase of common stock, there was no such expenditure in the fiscal year under review.

Consolidated Statements of Income

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2001	2000	1999	**2001**
Sales and operating revenue:				
Net sales (Note 5)	**¥2,157,318**	¥1,940,378	¥1,818,153	**$17,397,726**
Operating revenue	**83,679**	73,875	64,286	**674,831**
	2,240,997	2,014,253	1,882,439	**18,072,557**
Costs and expenses (Note 14):				
Cost of sales (Note 5)	**1,767,392**	1,599,231	1,509,130	**14,253,161**
Selling, general and administrative	**367,014**	352,927	341,541	**2,959,791**
	2,134,406	1,952,158	1,850,671	**17,212,952**
Operating income	**106,591**	62,095	31,768	**859,605**
Other income:				
Interest and dividends	**9,673**	9,271	12,228	**78,008**
Foreign currency transaction gains, net	**8,768**	—	—	**70,710**
Other (Note 6)	**20,584**	29,186	18,123	**166,000**
	39,025	38,457	30,351	**314,718**
Other expenses:				
Interest	**26,427**	27,914	31,279	**213,121**
Foreign currency transaction losses, net	—	8,734	3,993	—
Devaluation and disposal of investments and bad debts	—	—	19,573	—
Other (Note 6)	**45,705**	26,951	22,238	**368,589**
	72,132	63,599	77,083	**581,710**
Income (loss) before income taxes and minority interests	**73,484**	36,953	(14,964)	**592,613**
Income taxes (Note 13):				
Current	**29,775**	31,367	9,321	**240,121**
Deferred	**(3,711)**	(20,654)	2,130	**(29,927)**
	26,064	10,713	11,451	**210,194**
Income (loss) before minority interests	**47,420**	26,240	(26,415)	**382,419**
Minority interests	**5,219**	4,554	(532)	**42,088**
Net income (loss)	**¥ 42,201**	¥ 21,686	¥ (25,883)	**$ 340,331**
	Yen			U.S. Dollars (Note 2)
Per share:				
Net income (loss) (Note 15):				
Basic	**¥ 22.6**	¥ 11.5	¥ (13.5)	**$ 0.182**
Diluted	**22.1**	11.4	(13.5)	**0.178**
Cash dividends declared	**6.0**	5.0	5.0	**0.048**
Per American Depositary Share:				
Net income (loss):				
Basic	**¥ 113.0**	¥ 57.5	¥ (67.5)	**$ 0.911**
Diluted	**110.5**	57.0	(67.5)	**0.891**
Cash dividends declared	**30.0**	25.0	25.0	**0.242**
Weighted average number of shares (thousands)	**1,871,376**	1,889,477	1,920,197	

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2001 and 2000

ASSETS	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current assets:			
Cash and cash equivalents:			
Cash	¥ 59,267	¥ 84,571	$ 477,959
Time deposits	270,313	256,891	2,179,944
	329,580	341,462	2,657,903
Short-term investments (Notes 6 and 11)	49,968	241,533	402,968
Receivables:			
Notes and accounts	445,363	374,329	3,591,637
Finance receivables (Note 3)	208,803	174,992	1,683,895
Affiliates and unconsolidated subsidiaries	54,453	38,505	439,137
Allowance for doubtful accounts	(17,860)	(16,215)	(144,032)
	690,759	571,611	5,570,637
Inventories (Note 4)	431,247	383,669	3,477,798
Deferred income taxes (Note 13)	29,902	3,287	241,145
Prepaid expenses and other	76,574	49,126	617,533
Total current assets	1,608,030	1,590,688	12,967,984
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	24,642	21,456	198,726
Other (Notes 6 and 11)	326,393	187,258	2,632,201
	351,035	208,714	2,830,927
Property, plant and equipment (Note 7):			
Buildings	472,851	453,644	3,813,314
Machinery and equipment	1,007,839	973,999	8,127,734
	1,480,690	1,427,643	11,941,048
Accumulated depreciation	(961,852)	(947,787)	(7,756,871)
	518,838	479,856	4,184,177
Land	146,178	145,049	1,178,855
Construction in progress	35,086	14,007	282,952
	700,102	638,912	5,645,984
Deferred income taxes (Note 13)	78,795	56,670	635,444
Other assets	207,312	211,071	1,671,871
	¥2,945,274	¥2,706,055	$23,752,210

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 437,583**	¥ 412,694	**$ 3,528,895**
Current portion of long-term debt (Note 7)	**169,791**	122,924	**1,369,282**
Notes and accounts payable:			
Trade	**457,753**	374,987	**3,691,557**
Affiliates and unconsolidated subsidiaries	**10,586**	14,953	**85,371**
Construction	**82,070**	35,678	**661,855**
	550,409	425,618	**4,438,783**
Accrued income taxes	**21,220**	24,324	**171,129**
Employees' savings deposits	**28,171**	29,230	**227,186**
Other, including dividends payable and accrued expenses	**256,503**	209,377	**2,068,573**
Total current liabilities	**1,463,677**	1,224,167	**11,803,848**
Long-term debt (Notes 7 and 11)	**579,825**	610,453	**4,676,008**
Accrued pension and severance costs (Note 8)	**200,559**	165,714	**1,617,411**
Total liabilities	**2,244,061**	2,000,334	**18,097,267**
Minority interests in consolidated subsidiaries	**48,891**	40,267	**394,282**
Commitments and contingent liabilities (Note 10)			
Stockholders' equity (Note 12):			
Common stock, ¥50 ($0.40) par value:			
Authorized:			
March 31, 2001 and 2000—4,921,196 thousand shares			
Issued:			
March 31, 2001—1,872,335 thousand shares	**172,241**	—	**1,389,040**
March 31, 2000—1,872,327 thousand shares	**—**	172,238	**—**
Additional paid-in capital	**336,028**	336,026	**2,709,903**
Retained earnings	**219,166**	188,193	**1,767,468**
Accumulated other comprehensive loss	**(74,129)**	(30,898)	**(597,815)**
	653,306	665,559	**5,268,596**
Less, treasury stock at cost:			
2001—1,034,654 shares	**(984)**	—	**(7,935)**
2000— 206,663 shares	**—**	(105)	**—**
Total stockholders' equity	**652,322**	665,454	**5,260,661**
	¥2,945,274	¥2,706,055	**$23,752,210**

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2001, 2000 and 1999

	Millions of Yen							
				Accumulated Other Comprehensive Income (Loss)				
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Gains (Losses) on Securities	Foreign Currency Transaction Adjustments	Minimum Pension Liability Adjustments	Total	Total Comprehensive Income (Loss)
Balance, March 31, 1998 (1,951,131)	¥172,238	¥368,361	¥211,363	¥20,899	¥(15,184)	¥ (7,082)	¥ (1,367)	
Comprehensive income (loss):								
Net loss			(25,883)					¥(25,883)
Other comprehensive income (loss):								
Net unrealized holding gains on securities (net of tax of ¥3,185 million) (Note 6)				3,263			3,263	3,263
Reclassification adjustments for net losses realized in net loss (net of tax of ¥2,048 million)				2,210			2,210	2,210
Foreign currency translation adjustments					(11,663)		(11,663)	(11,663)
Minimum pension liability adjustments (Note 8) (net of tax of ¥3,981 million)						3,916	3,916	3,916
Total								¥(28,157)
Cash dividends			(9,565)					
Common stock repurchased and cancelled (46,875)		(17,232)						
Balance, March 31, 1999 (1,904,256)	172,238	351,129	175,915	26,372	(26,847)	(3,166)	(3,641)	
Comprehensive income (loss):								
Net income			21,686					¥ 21,686
Other comprehensive income (loss):								
Net unrealized holding gains on securities (net of tax of ¥5,600 million) (Note 6)				9,378			9,378	9,378
Reclassification adjustments for net gains realized in net income (net of tax of ¥4,769 million)				(6,236)			(6,236)	(6,236)
Foreign currency translation adjustments					(11,412)		(11,412)	(11,412)
Minimum pension liability adjustments (Note 8) (net of tax of ¥13,750 million)						(18,987)	(18,987)	(18,987)
Total								¥ (5,571)
Cash dividends			(9,408)					
Common stock repurchased and cancelled (31,929)		(15,103)						
Balance, March 31, 2000 (1,872,327)	**172,238**	**336,026**	**188,193**	**29,514**	**(38,259)**	**(22,153)**	**(30,898)**	
Comprehensive income (loss):								
Net income			**42,201**					**¥ 42,201**
Other comprehensive income (loss):								
Net unrealized holding losses on securities (net of tax of ¥25,234 million) (Note 6)				**(35,241)**			**(35,241)**	**(35,241)**
Reclassification adjustments for net losses realized in net income (net of tax of ¥2,381 million)				**3,548**			**3,548**	**3,548**
Foreign currency translation adjustments					**13,753**		**13,753**	**13,753**
Minimum pension liability adjustments (Note 8) (net of tax of ¥18,314 million)						**(25,291)**	**(25,291)**	**(25,291)**
Total								**¥ (1,030)**
Cash dividends			**(11,228)**					
Conversion of convertible bonds (8)	**3**	**2**						
Balance, March 31, 2001 (1,872,335)	**¥172,241**	**¥336,028**	**¥219,166**	**¥ (2,179)**	**¥(24,506)**	**¥(47,444)**	**¥(74,129)**	
	Thousands of U.S. Dollars (Note 2)							
Balance, March 31, 2000	**$1,389,016**	**$2,709,887**	**$1,517,685**	**$238,016**	**$(308,540)**	**$(178,653)**	**$(249,177)**	
Comprehensive income (loss):								
Net income			**340,331**					**$ 340,331**
Other comprehensive income (loss):								
Net unrealized holding losses on securities (net of tax of $203,500 thousand) (Note 6)				**(284,202)**			**(284,202)**	**(284,202)**
Reclassification adjustments for net losses realized in net income (net of tax of $19,202 thousand)				**28,613**			**28,613**	**28,613**
Foreign currency translation adjustments					**110,911**		**110,911**	**110,911**
Minimum pension liability adjustments (Note 8) (net of tax of $147,694 thousand)						**(203,960)**	**(203,960)**	**(203,960)**
Total								**$ (8,307)**
Cash dividends			**(90,548)**					
Conversion of convertible bonds	**24**	**16**						
Balance, March 31, 2001	**$1,389,040**	**$2,709,903**	**$1,767,468**	**$ (17,573)**	**$(197,629)**	**$(382,613)**	**$(597,815)**	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2001	2000	1999	**2001**
Cash flows from operating activities:				
Net income (loss)	**¥ 42,201**	¥ 21,686	¥ (25,883)	**$ 340,331**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**117,289**	98,711	102,952	**945,879**
Loss (gain) on sales of marketable securities and investment securities	**2,201**	(8,497)	(4,217)	**17,750**
Loss on disposal of property, plant and equipment	**4,045**	5,098	5,275	**32,621**
Devaluation and disposal of investments and bad debts	**—**	—	19,573	**—**
Provision for income taxes—deferred	**(3,711)**	(20,654)	2,130	**(29,927)**
Equity in earnings of affiliates and unconsolidated subsidiaries	**(2,036)**	(1,254)	(348)	**(16,419)**
Change in assets and liabilities, net of effects of newly consolidated subsidiaries in 2000 and 1999:				
Increase in receivables	**(107,853)**	(42,659)	(1,795)	**(869,782)**
(Increase) decrease in inventories	**(34,236)**	30,927	20,330	**(276,097)**
(Increase) decrease in prepaid expenses and other	**(26,234)**	2,067	(10,751)	**(211,565)**
Increase in other assets	**(22,547)**	(18,146)	(15,195)	**(181,831)**
Increase (decrease) in notes and accounts payable	**73,378**	41,061	(14,808)	**591,758**
(Decrease) increase in accrued income taxes	**(3,590)**	18,572	(8,724)	**(28,952)**
Increase in other current liabilities	**39,430**	14,350	1,604	**317,984**
Other, net	**21,007**	25,607	(2,476)	**169,411**
Total adjustments	**57,143**	145,183	93,550	**460,830**
Net cash provided by operating activities	**99,344**	166,869	67,667	**801,161**
Cash flows from investing activities:				
(Increase) decrease in short-term investments	**(14,540)**	3,775	(7,298)	**(117,258)**
Proceeds from sales of investments and collection of advances	**33,284**	18,729	10,438	**268,419**
Proceeds from sales of property, plant and equipment	**15,214**	9,826	4,481	**122,694**
Payments for purchases of investments and advances	**(36,967)**	(28,243)	(22,971)	**(298,121)**
Payments for purchases of property, plant and equipment	**(123,641)**	(79,649)	(116,075)	**(997,105)**
Other, net	**(80)**	(241)	(4)	**(645)**
Net cash used in investing activities	**(126,730)**	(75,803)	(131,429)	**(1,022,016)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	**10,846**	(66,829)	(65,569)	**87,468**
Proceeds from issuance of long-term debt	**143,804**	149,088	251,778	**1,159,710**
Repayments of long-term debt	**(133,548)**	(121,560)	(130,826)	**(1,077,000)**
Dividends paid	**(10,842)**	(9,488)	(9,681)	**(87,435)**
Repurchases of common stock	**—**	(15,103)	(17,232)	**—**
Other, net	**(879)**	(80)	(3)	**(7,089)**
Net cash provided by (used in) financing activities	**9,381**	(63,972)	28,467	**75,654**
Effect of exchange rate changes on cash and cash equivalents	**6,123**	(5,473)	(2,911)	**49,379**
Net (decrease) increase in cash and cash equivalents	**(11,882)**	21,621	(38,206)	**(95,822)**
Cash and cash equivalents of newly consolidated subsidiaries	**—**	7,129	9,706	**—**
Cash and cash equivalents at beginning	**341,462**	312,712	341,212	**2,753,725**
Cash and cash equivalents at end	**¥329,580**	¥341,462	¥312,712	**$2,657,903**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in six business segments: "AV/Information and Communications Equipment," "Home Appliances," "Industrial and Commercial Equipment," "Electronic Devices," "Batteries" and "Others." Fiscal 2001 net sales comprised AV/Information and Communications Equipment (37%), Home Appliances (14%), Industrial and Commercial Equipment (12%), Electronic Devices (21%), Batteries (14%) and Others (2%). The principal markets are Japan, Asia, North America, Europe and others with sales in each area representing 51%, 22%, 17%, 9% and 1%, respectively, of net sales for the year ended March 31, 2001. Manufacturing facilities are located in more than 20 countries, principally Asian areas, such as Japan and China, as well as North America and Europe.

Accounting Principles

The accounting records of the domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect adjustments necessary for a presentation in terms of generally accepted accounting principles as defined in the United States of America. Such adjustments are primarily related to accruing pension and severance costs, valuing marketable securities at fair value, deferring bond issue expenses and effecting deferred tax accounting for temporary differences between financial and tax reporting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet dates, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet dates. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market. Cost for finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on the estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Advertising Costs

Advertising costs are generally expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at fiscal year-end. Deferred tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." See Note 9 for disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" on the Company's stock options.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 15.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." During 2000, FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," to amend the requirements of SFAS No. 133. These statements establish accounting and reporting standards for derivative instruments and hedging activities and require companies to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The change in the fair value of a derivative will be recognized in earnings in the period of change or reported as a component of other comprehensive income, depending on the intended use of the derivative and the resulting designations. Based on the present interpretation of these statements, Sanyo estimates that the initial adoption of these statements at April 1, 2001 will not have a significant impact on Sanyo's consolidated financial position and results of operations.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2001 represent the arithmetical results of translating yen to dollars on the basis of ¥124=US$1, the approximate effective rate of exchange at March 30, 2001.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥124=US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 2001 included installment receivables of ¥35,719 million ($288,056 thousand) from customers, of which ¥20,633 million ($166,395 thousand) mature after one year.

4 INVENTORIES

Inventories at March 31, 2001 and 2000 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Finished products	**¥224,961**	¥200,116	**$1,814,201**
Work in process	**91,757**	89,054	**739,976**
Raw materials	**114,529**	94,499	**923,621**
	¥431,247	¥383,669	**$3,477,798**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2001 and 2000	**2001**	2000	**2001**
Current assets	**¥191,742**	¥172,215	**$1,546,306**
Noncurrent assets	**86,004**	87,609	**693,581**
Total assets	**277,746**	259,824	**2,239,887**
Current liabilities	**136,051**	116,870	**1,097,185**
Noncurrent liabilities	**102,013**	104,696	**822,686**
Total liabilities	**238,064**	221,566	**1,919,871**
Net assets	**¥ 39,682**	¥ 38,258	**$ 320,016**
Sanyo's investments in affiliates	**¥ 18,154**	¥ 16,916	**$ 146,403**
Number of affiliated companies at end of fiscal period:			
In Japan	**21**	22	
Outside Japan	**10**	10	

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2001, 2000 and 1999	**2001**	2000	1999	**2001**
Results of operations:				
Net sales	**¥277,630**	¥268,194	¥244,692	**$2,238,952**
Net income	**2,760**	898	4,448	**22,258**
Sanyo's equity in affiliates:				
Net income	**¥ 825**	¥ 1,151	¥ 740	**$ 6,653**
Cash dividends	**301**	74	457	**2,427**
Transactions with affiliates:				
Sales to	**¥117,734**	¥ 97,021	¥ 93,570	**$ 949,468**
Purchases from	**49,567**	62,306	46,416	**399,734**

The aggregate carrying amount and market value at March 31, 2001 and 2000 of investments in affiliates (for which a quoted market price is available) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Carrying amount	**¥7,444**	¥6,851	**$60,032**
Market value	**6,050**	7,159	**48,790**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities at March 31, 2001 and 2000 included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) are summarized as follows:

	Millions of Yen							
	2001				2000			
	Amortized Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 55,439**	**¥ 54,908**	**¥ 33**	**¥ 564**	¥ 37,685	¥ 38,065	¥ 1,182	¥ 802
Equity securities	**202,522**	**202,629**	**25,044**	**24,937**	188,303	242,820	69,131	14,614
	¥257,961	**¥257,537**	**¥25,077**	**¥25,501**	¥225,988	¥280,885	¥70,313	¥15,416
Held-to-maturity:								
Debt securities	**2,013**	**2,028**	**15**	**—**	—	—	—	—
	2,013	**2,028**	**15**	**—**	—	—	—	—
Total investment in debt and equity securities	**¥259,974**	**¥259,565**	**¥25,092**	**¥25,501**	¥225,988	¥280,855	¥70,313	¥15,416

	Thousands of U.S. Dollars			
	2001			
	Amortized Costs	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	**$ 447,089**	**$ 442,806**	**$ 266**	**$ 4,549**
Equity securities	**1,633,242**	**1,634,105**	**201,968**	**201,105**
	2,080,331	**2,076,911**	**202,234**	**205,654**
Held-to-maturity:				
Debt securities	**16,234**	**16,355**	**121**	**—**
	16,234	**16,355**	**121**	**—**
Total investment in debt and equity securities	**$2,096,565**	**$2,093,266**	**$202,355**	**$205,654**

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2001 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Costs	Fair Value	Amortized Costs	Fair Value	Amortized Costs	Fair Value	Amortized Costs	Fair Value
Due within 1 year	¥45,133	¥45,109	¥ —	¥ —	$363,976	$363,782	$ —	$ —
Due after 1 year through 5 years	7,333	6,924	13	12	59,137	55,839	105	97
Due after 5 years	2,973	2,875	2,000	2,016	23,976	23,185	16,129	16,258
	¥55,439	¥54,908	¥2,013	¥2,028	$447,089	$442,806	$16,234	$16,355

The proceeds from sales of available-for-sale securities for the years ended March 31, 2001, 2000 and 1999 were ¥28,028 million ($226,032 thousand), ¥41,611 million and ¥25,686 million, respectively. The gross realized gains and losses on those sales were ¥7,589 million ($61,202 thousand) and ¥7,334 million ($59,145 thousand), respectively, for the year ended March 31, 2001, ¥15,008 million and ¥6,522 million, respectively, for the year ended March 31, 2000 and ¥6,440 million and ¥6,579 million, respectively, for the year ended March 31, 1999.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, included bank overdrafts and trade acceptances payable of foreign subsidiaries.

Short-term borrowings at March 31, 2001 and 2000 consisted of the following:

The amount of unused lines of credit was approximately ¥959,000 million ($7,733,871 thousand) at March 31, 2001.

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Short-term bank loans with interest ranging from 0.28% to 7.90% and from 0.34% to 11.75% at March 31, 2001 and March 31, 2000, respectively	**¥396,415**	¥352,939	**$3,196,895**
Commercial paper with interest ranging from 0.08% to 5.41% and from 0.09% to 6.31% at March 31, 2001 and March 31, 2000, respectively	**41,168**	59,755	**332,000**
	¥437,583	¥412,694	**$3,528,895**

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Loans, principally from banks and insurance companies, due 2001 to 2015 with interest rates ranging from 0% to 12.00% and due 2000 to 2015 with interest rates ranging from 0.27% to 12.75% at March 31, 2001 and March 31, 2000, respectively:			
Collateralized (a)	**¥ 23,345**	¥ 31,641	**$ 188,266**
Uncollateralized	**371,953**	375,475	**2,999,621**
Uncollateralized convertible yen bonds (b):			
1.7% convertible bonds due November 2002	**5,653**	5,657	**45,589**
1.6% convertible bonds due November 2004	**49,898**	49,899	**402,404**
0.8% convertible bonds due March 2004	**1,166**	1,663	**9,403**
Uncollateralized euroyen notes (b):			
Floating rate notes due November 2000	**—**	1,310	**—**
1.15% notes due November 2000	**—**	437	**—**
1.30% notes due November 2001	**2,141**	1,835	**17,266**
Uncollateralized bonds (b):			
2.85% bonds due May 2000	**—**	20,000	**—**
3.05% bonds due May 2001	**10,000**	10,000	**80,645**
2.40% bonds due June 2001	**20,000**	20,000	**161,290**
2.25% bonds due June 2000	**—**	10,000	**—**
2.325% bonds due September 2001	**10,000**	10,000	**80,645**
2.625% bonds due September 2002	**20,000**	20,000	**161,290**
2.825% bonds due September 2003	**20,000**	20,000	**161,290**
3.10% bonds due May 2007	**20,000**	20,000	**161,290**
3.35% bonds due May 2009	**30,000**	30,000	**241,935**
1.550% bonds due June 2003	**10,000**	10,000	**80,645**
1.925% bonds due June 2005	**20,000**	20,000	**161,290**
2.325% bonds due June 2008	**20,000**	20,000	**161,290**
1.33% bonds due August 2005	**20,000**	—	**161,290**
1.82% bonds due August 2007	**30,000**	—	**241,935**
2.4% bonds due June 2005	**5,000**	5,000	**40,323**
0% bonds due September 2002	**5,000**	5,000	**40,323**
1.75% bonds due April 2002	**10,000**	10,000	**80,645**
1.63% bonds due July 2004	**5,000**	5,000	**40,323**
1.63% bonds due July 2004	**5,000**	5,000	**40,323**
2.00% bonds due November 2006	**5,000**	5,000	**40,323**
2.00% bonds due November 2006	**5,000**	5,000	**40,323**
2.42% bonds due March 2010	**15,000**	15,000	**120,968**
1.07% bonds due April 2003	**10,000**	—	**80,645**
3.1% bonds due September 2001 with detachable warrants (c)	**460**	460	**3,710**
	749,616	733,377	**6,045,290**
Less, amount due within one year	**169,791**	122,924	**1,369,282**
	¥579,825	¥610,453	**$4,676,008**

(a) These loans are collateralized by property, plant and equipment of the Company's subsidiaries.
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.
(c) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and, at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR for their benefits.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2001 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥160,864	$1,297,290
2004	116,598	940,307
2005	89,733	723,653
2006	68,282	550,661
2007 and thereafter	144,348	1,164,097
	¥579,825	$4,676,008

Under the terms of the agreements of the convertible debt outstanding at March 31, 2001, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds:*			
1.7% convertible bonds due November 2002	Dec. 1, 2000	101%–100%	¥ 600.00
1.6% convertible bonds due November 2004	Dec. 1, 2000	103%–100%	¥1,036.00
0.8% convertible bonds due March 2004	Mar. 31, 2004	100%	¥1,381.90

*May be repurchased at any time on the open market

As of March 31, 2001, the number of shares of common stock required to convert all of the convertible debt was 57,586 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, lengths of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). In accordance with the JWPIL, a portion of the government's social security pension program, under which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover twenty percent of the severance indemnities payable.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service or more who elect to participate.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is a customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated costs of this termination plan, which is not funded.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2001 and 2000:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥483,584**	¥393,076	**$3,899,871**
Service cost	**22,169**	21,176	**178,782**
Interest cost	**19,917**	17,345	**160,621**
Plan participants' contributions	**3,780**	3,800	**30,484**
Plan amendment	**(4,602)**	—	**(37,113)**
Actuarial losses	**19,373**	64,880	**156,234**
Benefits paid	**(21,105)**	(16,693)	**(170,202)**
Benefit obligation at end of year	**523,116**	483,584	**4,218,677**
Change in plan assets:			
Fair value of plan assets at beginning of year	**268,623**	223,411	**2,166,314**
Actual return on plan assets	**(18,468)**	32,640	**(148,935)**
Employer contributions	**20,672**	17,821	**166,709**
Plan participants' contributions	**3,780**	3,800	**30,484**
Benefits paid	**(12,357)**	(9,049)	**(99,653)**
Fair value of plan assets at end of year	**262,250**	268,623	**2,114,919**
Funded status:			
Benefit obligation in excess of plan assets	**260,866**	214,961	**2,103,758**
Unrecognized net transition obligation at date of adoption	**(3,842)**	(4,664)	**(30,984)**
Unrecognized prior service cost	**7,068**	(8,532)	**57,000**
Unrecognized actuarial loss	**(150,227)**	(93,657)	**(1,211,508)**
Net amount recognized	**113,865**	108,108	**918,266**
Reconciliation to accrued pension liability:			
Intangible asset	**—**	13,196	**—**
Amount included in accumulated other comprehensive income, gross of tax	**82,430**	38,826	**664,758**
Accrued pension liability recognized in the consolidated balance sheets	**¥196,295**	¥160,130	**$1,583,024**

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 2001, 2000, and 1999:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	**2001**
Service cost	**¥22,169**	¥21,176	¥17,970	**$178,782**
Interest cost	**19,917**	17,345	16,769	**160,621**
Expected return on plan assets	**(11,107)**	(8,936)	(9,303)	**(89,573)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**6,645**
Prior service cost	**847**	865	865	**6,831**
Actuarial losses	**2,525**	775	1,443	**20,363**
Net periodic benefit cost	**¥35,175**	¥32,049	¥28,568	**$283,669**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2001, 2000, and 1999 are as follows:

	2001	2000	1999
Discount rate	**3.0 – 4.0%**	4.0%	4.5%
Long-term rate of salary increase	**3.0%**	3.2%	3.2%
Long-term rate of return on fund assets	**3.0 – 4.0%**	4.0%	4.5%

9 STOCK OPTION PLAN

In May 2000, the Company adopted a stock option plan to provide for grants of options to purchase shares of common stock to all directors and certain key employees of the Company. The options granted are vested over two years and are exercisable over a maximum of two years from July 1, 2002 to June 30, 2004:

The following table summarizes the stock option plan activity for the year ended March 31, 2001.

	Options (shares)
Balance, April 1, 2000	—
Granted	1,046,000
Exercised	—
Cancelled	17,000
Balance, March 31, 2001	1,029,000
Exercise price	¥977 ($7.88)

The Company has elected to account for its stock option plan under APB No. 25. Under APB No. 25, no compensation expense is recognized because the option exercise price is equal to the fair market price of the common stock on the date of grant. Had compensation expense been determined as prescribed by SFAS No. 123, the impact on the Company's net income for the year ended March 31, 2001 would not be material.

10 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expense relates to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, the total rental expense is not significant. Commitments outstanding at March 31, 2001 for purchase of property, plant and equipment approximated ¥3,474 million ($28,016 thousand).

Contingent liabilities at March 31, 2001 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥1,638 million ($13,210 thousand), ¥97,658 million ($787,565 thousand) and ¥69,812 million ($563,000 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

11 FINANCIAL INSTRUMENTS

Sanyo has entered into foreign currency exchange forward contracts, generally maturing within six months, as hedges against transactions in foreign currencies. The foreign currency exchange forward contracts are used to minimize exposure and to reduce risk from exchange rate fluctuations in the ordinary course of its worldwide operations. Sanyo had foreign exchange forward contracts to sell ¥65,806 million ($530,694 thousand) and purchase ¥15,028 million ($121,194 thousand) at March 31, 2001 and to sell ¥52,911 million and purchase ¥8,526 million at March 31, 2000 in foreign currencies.

Sanyo has also entered into various interest rate and currency swap agreements with financial institutions, which will mature primarily during 2001 to 2005. These agreements are arranged to hedge against exposure to interest rate and currency fluctuations on certain assets and liabilities. The amounts of the underlying interest rate swap agreements were ¥357,335 million ($2,881,734 thousand) and ¥419,500 million at March 31, 2001 and 2000, respectively. The amounts of the underlying currency swap agreements were ¥18,899 million ($152,411 thousand) and ¥20,170 million at March 31, 2001 and 2000, respectively. The related differentials to be paid or received are recognized over the terms of the agreements.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements described previously.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices for those instruments. For the other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

The estimated fair values of financial instruments as of March 31, 2001 and 2000 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2001		2000		**2001**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:						
Liabilities:						
Long-term debt	**¥579,825**	**¥614,226**	¥610,453	¥627,148	**$4,676,008**	**$4,953,435**
Derivatives:						
Foreign currency exchange forward contracts	**—**	**(5,300)**	—	787	**—**	**(42,742)**
Interest rate and currency swap agreements	**—**	**(3,055)**	—	1,924	**—**	**(24,637)**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

12 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash payments for appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of a company's stated capital. The legal reserve may be used to reduce a deficit or may be transferred to stated capital through appropriate stockholder and director actions but is not available for dividend payment.The legal reserve of Sanyo, amounting to ¥33,977 million ($274,008 thousand), was included in retained earnings at March 31, 2001.

13 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, indicated a statutory income tax rate in Japan of approximately 42% for the years ended March 31, 2001 and 2000 and 48% for the year ended March 31, 1999.

As a result of the Japanese Tax Reform Acts, which were enacted on March 24, 1999, the Company's statutory income tax rate decreased to 42% for the years ended March 31, 2000 and thereafter. The deferred tax assets and liabilities at March 31, 1999 were adjusted to reflect the revised rates. As a result, provision for income taxes—deferred increased by ¥2,633 million for the year ended March 31, 1999.

Reconciliations of the differences between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Statutory income tax rate	**42.0%**	42.0%	48.0 %
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	**(6.6)**	(5.0)	(120.4)
Effect of change in statutory tax rate	**—**	—	(17.6)
Expenses not deductible for tax purposes	**0.8**	1.5	(5.8)
Tax credits	**(1.5)**	(3.6)	16.4
Differences in statutory tax rates of foreign subsidiaries	**(3.2)**	(1.7)	3.9
Other	**4.0**	(4.2)	(1.0)
Effective income tax rate	**35.5%**	29.0%	(76.5)%

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2001 and 2000 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Accrued pension and severance costs	**¥ 66,209**	¥ 42,635	**$ 533,944**
Accrued expenses	**28,051**	19,417	**226,218**
Operating loss carryforwards	**19,769**	20,646	**159,427**
Inventories	**4,801**	3,419	**38,718**
Allowance for doubtful accounts	**6,145**	4,366	**49,556**
Property, plant and equipment	**2,132**	1,771	**17,193**
Enterprise taxes	**1,206**	2,052	**9,726**
Long-term investments	**5,981**	2,498	**48,234**
Long-term loan receivable	**—**	6,549	**—**
Other	**8,061**	9,493	**65,008**
Gross deferred tax assets	**142,355**	112,846	**1,148,024**
Less, valuation allowance	**(25,582)**	(25,468)	**(206,306)**
Total deferred tax assets	**116,773**	87,378	**941,718**
Deferred tax liabilities:			
Short-term investments	**—**	(18,342)	**—**
Deferred income	**(7,000)**	(6,946)	**(56,452)**
Deferred expenses	**(701)**	(800)	**(5,653)**
Other	**(375)**	(1,333)	**(3,024)**
Gross deferred tax liabilities	**(8,076)**	(27,421)	**(65,129)**
Net deferred tax assets	**¥108,697**	¥ 59,957	**$ 876,589**

Net changes in the total valuation allowance for the years ended March 31, 2001 and 2000 increased by ¥114 million ($919 thousand) and ¥1,713 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 2001 amounted to approximately ¥59,911 million ($483,153 thousand) and are available for offset against future taxable income of such subsidiaries. These will expire mainly in the period from 2001 through 2011.

14 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2001, 2000 and 1999 were ¥108,842 million ($877,758 thousand), ¥99,599 million and ¥93,737 million, respectively.

15 INCOME PER SHARE

Income per share for the years ended March 31, 2001, 2000 and 1999 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	**2001**
Basic income per share calculation:				
Income (numerator):				
Net income (loss)	**¥42,201**	¥21,686	¥(25,883)	**$340,331**
Shares, thousands (denominator):				
Weighted average number of shares	**1,871,376**	1,889,477	1,920,197	
Basic income (loss) per share (yen and U.S. dollars)	**¥ 22.6**	¥ 11.5	¥ (13.5)	**$ 0.182**
Diluted income per share calculation:				
Income (numerator):				
Net income (loss)	**¥42,201**	¥21,686	¥(25,883)	**$340,331**
Interest on convertible bonds, net of tax	**517**	520	—	**4,169**
Adjusted net income (loss)	**¥42,718**	¥22,206	¥(25,883)	**$344,500**
Shares, thousands (denominator):				
Weighted average number of shares	**1,871,376**	1,889,477	1,920,197	
Assumed conversion of convertible bonds	**57,590**	57,593	—	
Adjusted weighted average number of shares	**1,928,966**	1,947,070	1,920,197	
Diluted income (loss) per share (yen and U.S. dollars)	**¥ 22.1**	¥ 11.4	¥ (13.5)	**$ 0.178**

The calculation of the weighted average number of shares for diluted income (loss) per share in 1999 did not include incremental shares of 57,593 thousand, from assumed conversions of convertible bonds since their effects were anti-dilutive.

16 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 2001, 2000, and 1999 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	**2001**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥24,307**	¥27,374	¥29,790	**$196,024**
Income taxes	**37,154**	6,627	24,792	**299,629**
Conversion of convertible bonds issued by a consolidated subsidiary	**502**	6,047	—	**4,048**

17 RECLASSIFICATION

Certain reclassifications of previously reported amounts have been made to the consolidated statements of income for the years ended March 31, 2000 and 1999 to conform to the 2001 presentation. Such reclassifications had no effect on net income (loss).

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

To the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2001 and 2000 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2001, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for the omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2001 and 2000 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

PricewaterhouseCoopers

Osaka, Japan
June 15, 2001

Corporate Directory

BOARD OF DIRECTORS AND CORPORATE AUDITORS
(As of June 28, 2001)

Executive Directors

Chairman
Satoshi Iue

President
Yukinori Kuwano

Executive Directors
Yoshio Shimoda
Motoharu Iue

Directors
Corazon C. Aquino
Nobuaki Kumagai
Sadao Kondo
Yasusuke Tanaka
Junichiro Yano
Toshimasa Iue
Sunao Okubo
Yoichiro Furuse

Corporate Executive Auditors
Akihide Kawanaka
Shigeru Sakata
Ryota Tominaga

Corporate Auditors
Sotoo Tatsumi
Takao Sudo

OFFICERS
(As of June 28, 2001)

Chairman & Chief Executive Officer
Satoshi Iue

President & Chief Operating Officer
Yukinori Kuwano

Executive Vice President & Chief Financial Officer
Yoshio Shimoda

Executive Officers
Yasusuke Tanaka
Junichiro Yano
Toshimasa Iue
Sunao Okubo
Yoichiro Furuse

Senior Officers
Hiromoto Sekino
Hitoshi Komada
Masabumi Kawano
Tadahiko Tanaka
Eiji Kotobuki

Officers
Akiyoshi Takano
Fusao Terada
Akira Yoshida
Satoshi Inoue
Tadao Shimada
Shosaku Kurome
Akira Kan
Osamu Kajikawa
Hideo Yamase
Hiroshi Ono

PRINCIPAL CONSOLIDATED SUBSIDIARIES
(As of March 31, 2001)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales and Lease of Electrical and Electronic Products

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Audio Equipment, Information Systems, Electronic Parts, and Home Appliances

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Electric Air Conditioning Co., Ltd.
Principal Business: Manufacture and Sales of Air Conditioners

SANYO Life Electronics Co., Ltd.
Principal Business: Sales of Electrical and Electronic Products

SANYO Electric Trading Co., Ltd.
Principal Business: Export and Import of Electrical and Electronic Products

SANYO Electric Vending Machine Co., Ltd.
Principal Business: Sales of Vending Machines

SANYO Electric Commercial Equipment Co., Ltd.
Principal Business: Sales and Installation of Refrigerators-Freezers, and Kitchen Appliances

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

(Sanyo has a total of 126 consolidated subsidiaries—64 in Japan and 62 overseas.)

PRINCIPAL SANYO OVERSEAS SUBSIDIARIES AND AFFILIATES
(As of March 31, 2001)

● Manufacturing Companies
■ Sales Companies
◆ Other Companies

Multimedia Company
● SANYO Manufacturing Corporation, *Forrest City, Arkansas, U.S.A.*
● SANYO Information Systems Corporation, *San Diego, California, U.S.A.*
● SANYO Laser Products, Inc., *Richmond, Indiana, U.S.A.*
● SANYO Industries (U.K.) Limited, *Lowestoft, United Kingdom*
● SANYO España, S.A., *Barcelona, Spain*
● Korea TT Co., Ltd., *Masan, Korea*
● Korea Tokyo Electronic Co., Ltd., *Masan, Korea*
● Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen, China*
● Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin, China*
● Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang, China*
● SANYO Optronics (Hong Kong) Company Limited, *Hong Kong*
● FMS Audio Sdn. Bhd., *Penang, Malaysia*
● SANYO Pt (M) Sdn. Bhd., *Johor, Malaysia*
● P.T. SANYO Electronics Indonesia, *Bekasi, Indonesia*
● BPL SANYO Limited, *Bangalore, India*
■ SANYO FISHER Vertriebs GmbH, *München, Germany*
◆ SANYO Manufacturing S.A. de C.V., *Tijuana, Mexico*
◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen, China*
◆ SANYO Digital Design (Shenzhen) Limited, *Shenzhen, China*
◆ Guangdong Huaqiang SANYO Group Co., Ltd., *Dongguang, China*

Home Appliances Company
● SANYO E & E Corporation, *San Diego, California, U.S.A.*
● SANYO California Corporation, *San Diego, California, U.S.A.*
● Sanmex, S.A. de C.V., *Tijuana, Mexico*
● MABE SANYO Compressors S.A. de C.V., *San Luis Potosí, Mexico*
● SANYO Electric Manufacturing (U.K.) Limited, *Newton Aycliffe, United Kingdom*
● SANYO Gallenkamp PLC, *Loughborough, United Kingdom*
● SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou, China*
● Suzhou SANYO Electro-Mechanical Co., Ltd., *Suzhou, China*
● Dalian SANYO Compressor Co., Ltd., *Dalian, China*
● Hefei Rongshida SANYO Electric Co., Ltd., *Hefei, China*
● SANYO Electric (Taiwan) Co., Ltd., *Taiwan*
● Sanwa Electric Philippines, Inc., *Cavite, Philippines*
● SANYO (Philippines), Inc., *Metro Manila, Philippines*
● SANYO Universal Electric Public Co., Ltd., *Bangkok, Thailand*
● SANYO Industries (Singapore) Private Limited, *Singapore*
● SANYO Compressor Singapore Pte., Ltd. *Singapore*
● P.T. SANYO Compressor Indonesia, *Bekasi, Indonesia*
● P.T. Jaya Indah Casting, *Bekasi, Indonesia*
● P.T. SANYO Industries Indonesia, *Jakarta, Indonesia*
● SANYO Home Appliance Vietnam Corporation, *Bien Hoa, Vietnam*
■ SANYO Gallenkamp B.V., *Breda, Netherlands*

- ◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Shanghai, China*
- ◆ Beijing SANYO Cleaning Co., Ltd., *Beijing, China*
- ◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian, China*
- ◆ Sanwa Estate Philippines, Inc., *Cavite, Philippines*

Commercial Equipment Systems Company

- ● Dalian SANYO Cold-Chain Co., Ltd., *Dalian, China*
- ● Guangdong SANYO KELON Refrigerator Co., Ltd., *Guangdong, China*
- ● Dalian SANYO Food Systems Co., Ltd., *Dalian, China*
- ● Dalian Bingshan Metal Processing Co., Ltd., *Dalian, China*
- ■ SANYO Commercial Refrigeration International Co., Ltd., *Hong Kong*
- ■ SANYO SMI Thailand Co., Ltd., *Bangkok, Thailand*
- ◆ Nissei SANYO Hitech Service Pte., Ltd., *Singapore*

Semiconductor Company

- ● Korea Tokyo Silicon Co., Ltd., *Masan, Korea*
- ● SANYO Semiconductor (Shekou) Ltd., *Shenzhen, China*
- ● SANYO Semiconductor Electronics (H.K.) Co., Ltd., *Hong Kong*
- ● SANYO Electronic (Taichung) Co., Ltd., *Taiwan*
- ● SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac, Philippines*
- ● SANYO Semiconductor (Thailand) Co., Ltd., *Utai, Thailand*
- ■ SANYO Semiconductor Corporation, *Allendale, New Jersey, U.S.A.*
- ■ SANYO Semiconductor Distribution (USA) Corporation, *Norwood, New Jersey, U.S.A.*
- ■ SANYO Semiconductor (Europe) GmbH, *Schwalbach, Germany*
- ■ SANYO Semiconductor (H.K.) Co., Ltd., *Hong Kong*
- ■ SANYO Semiconductor Taipei Co., Ltd., *Taiwan*
- ■ SANYO Semiconductor (S) Pte., Ltd., *Singapore*
- ◆ SSMP Estate Corporation, *Tarlac, Philippines*
- ◆ SANYO LSI Technology India Private Limited, *Bangalore, India*

Soft Energy Company

- ● SANYO Energy (U.S.A.) Corporation, *San Diego, California, U.S.A.*
- ● Solec International, Inc., *Carson, California, U.S.A.*
- ● SANY Energy (Texas) Co., Ltd., *Dallas, Texas, U.S.A.*
- ● SANYO Energy (Europe) Corporate GmbH, *München, Germany*
- ● SANYO Energy (UK) Company Limited, *Hemel Hempstead, United Kingdom*
- ● SANYO Hungary Kft., *Dörög, Hungary*
- ● Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen, China*
- ● Tianjin Lantain SANYO Energy Co., Ltd., *Tianjin, China*
- ● SANYO Energy (Suzhou) Co., Ltd., *Suzhou, China*
- ● SANYO Energy (Beijing) Co., Ltd., *Beijing, China*
- ● SANYO Energy (Hong Kong) Company Limited, *Hong Kong*
- ● SANYO Energy (Taiwan) Co., Ltd., *Taiwan*
- ● P.T. SANYO Energy (Batam) Corporate, *Batam Island, Indonesia*
- ■ SANYO Energy (Singapore) Corporation Pte., Ltd., *Singapore*

Head Office (SANYO Electric Co., Ltd.)

- ◆ SANYO Electric (China) Co., Ltd., *Beijing, China*
- ◆ SANYO North America Corporation, *San Diego, California, U.S.A.*
  - ■ SANYO Canada Inc., *Concord, Ontario, Canada*
  - ◆ SANYO Logistics Corporation, *Torrance, California, U.S.A.*
  - ◆ SANYO FISHER Service Corporation, *Chatsworth, California, U.S.A.*
  - ◆ Three Oceans Inc., *New York, New York, U.S.A.*
  - ◆ SANYO Customs Brokerage, Inc., *San Diego, California, U.S.A.*
  - ◆ SANYO Transportation Company, *Torrance, California, U.S.A.*
  - ◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana, Mexico*
  - ◆ SANYO Customs Brokerage S.A. de C.V., *Tijuana, Mexico*
  - ◆ Dos Aguilas S.A. de C.V., *Tijuana, Mexico*
- ◆ SANYO Electric (Hong Kong) Limited, *Hong Kong*
- ◆ BPL SANYO Finance Limited, *Bangalore, India*
- ◆ SANYO Asia Pte., Ltd., *Singapore*
- ◆ SANYO Europe Ltd., *Watford, United Kingdom*
- ◆ SANYO Electric Finance (USA) Corporation, *New York, New York, U.S.A.*
- ◆ SANYO Electric International Finance (UK) PLC, *Watford, United Kingdom*
- ◆ SANYO Electric Finance Netherlands B.V., *Amsterdam, Netherlands*

Tottori SANYO Electric Co., Ltd.

- ● Dalian SANYO Home Appliance Co., Ltd., *Dalian, China*
- ● Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen, China*
- ● Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou, China*
- ● Tottori SANYO Electric (Hong Kong) Limited, *Hong Kong*
- ● Tottori SANYO Electric (Philippines) Corporation, *Cavite, Philippines*
- ● SANYO Electric (Penang) Sdn. Bhd., *Penang, Malaysia*
- ◆ Tottori SANYO Electric Philippines Estate Corporation, *Cavite, Philippines*

SANYO Electric Trading Co., Ltd.

- ● NEWSAN S.A., *Buenos Aires, Argentina*
- ● SANYO da Amazônia S.A., *Manaus, Brazil*
- ● Ghana SANYO Company Limited, *Tema, Ghana*
- ■ Industria Electronica SANYO do Brasil Ltda., *São Paulo, Brazil*
- ■ SANYO Büro-Electronic Europa-Vertrieb GmbH, *München, Germany*
- ■ SANYO Information Systems (UK) Limited, *Watford, United Kingdom*
- ■ SANYO Aire Acondicionado España, S.A., *Madrid, Spain*
- ■ SANYO Airconditioners Europe S.r.l., *Milano, Italy*
- ■ SANYO Portugal Electronica S.A., *Sintra, Portugal*
- ■ SANYO Electronics (H.K.) Limited, *Hong Kong*
- ■ Chen Ho & Co., Ltd., *Taiwan*
- ■ SANYO (Thailand) Co., Ltd., *Bangkok, Thailand*
- ■ SANYO Sales and Service Sdn. Bhd., *Petaling Jaya, Malaysia*
- ■ SANYO Airconditioners (Singapore) Pte., Ltd., *Singapore*
- ■ SANYO Malaysia Sdn. Bhd., *Singapore*
- ■ SANYO Australia Pty. Ltd., *Sydney, N.S.W., Australia*
- ■ SANYO ARMCO (Kenya) Limited, *Nairobi, Kenya*
- ■ SANYO South Africa (Pty) Ltd., *Sandton, South Africa*
- ◆ SANYO E.T. Canada Inc., *Concord, Ontario, Canada*
- ◆ SANYO Canada Holdings 1990 Inc., *Concord, Ontario, Canada*
- ◆ Sanelco S.A., *Ushuaia, Argentina*
- ◆ SANYO do Brasil Participacões e Empreendimentos S/C Ltda., *São Paulo, Brazil*
- ◆ SANYO Electric Service (Europe) Ag., *Basel, Switzerland*

SANYO Electronic Components Co., Ltd.

- ● SANYO Video Components (U.S.A.) Corporation, *San Diego, California, U.S.A.*
- ● SANYO Electric (Shekou) Ltd., *Shenzhen, China*
- ● Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang, China*
- ● SANYO Capacitor (Philippines) Corporation, *Tarlac, Philippines*
- ● SANYO Precision Singapore Pte., Ltd., *Singapore*
- ● P.T. SANYO Jaya Components Indonesia, *Bogor, West Java, Indonesia*
- ● P.T. Kumagaya Precision Motor Batam, *Batam Island, Indonesia*
- ■ SANYO Electronic Components (Singapore) Private Limited, *Singapore*
- ■ Kumagaya Precision Motor (Singapore) Pte., Ltd., *Singapore*
- ◆ P.T. SANYO Precision Batam, *Batam Island, Indonesia*

SANYO Electric Air Conditioning Co., Ltd.

- ● SANYO Argo Clima S.r.l., *Gallarate, Italy*
- ● Dalian SANYO Refrigeration Co., Ltd., *Dalian, China*
- ● Guangdong SANYO Air Conditioner Co., Ltd., *Foshan, China*
- ● Dalian SANYO Air Conditioner Co., Ltd., *Dalian, China*
- ● Shenyang SANYO Airconditioner Co., Ltd., *Shenyang, China*
- ● Dalian Honjo Chemical Corporation, *Dalian, China*
- ● SANYO Airconditioners Manufacturing Singapore Pte., Ltd., *Singapore*
- ● SANYO Denso Industries (Singapore) Pte., Ltd., *Singapore*

Investor Information

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: (06) 6991-1181
Facsimile: (06) 6991-6566 (PR Center)

U.S. CONTACT ADDRESS
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154, U.S.A.
Telephone: (619) 661-1134
Facsimile: (619) 661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2001)
Authorized: 4,921,196,000 shares Issued: 1,872,334,767 shares

CAPITAL (As of March 31, 2001)
¥172,241,294,483

NUMBER OF STOCKHOLDERS (As of March 31, 2001)
167,086

LISTINGS
Common stock is listed on the Tokyo, Osaka, and three other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 2001, 2000, and 1999 were as follows:

	Fiscal 2001		Fiscal 2000		Fiscal 1999	
	High	**Low**	High	Low	High	Low
First quarter	**¥ 966**	**¥616**	¥510	¥385	¥420	¥316
Second quarter	**990**	**744**	567	445	434	334
Third quarter	**1,060**	**810**	560	385	375	297
Fourth quarter	**996**	**632**	694	410	427	319

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 2001, 2000, and 1999 were as follows:

2001-II	**2001-I**	2000-II	2000-I	1999-II	1999-I
¥3.00	**¥3.00**	¥2.50	¥2.50	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to the PR Center at our Head Office.

SANYO Electric Co., Ltd.

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EXHIBIT J

SANYO

2002

ANNUAL REPORT 2002

For the year ended March 31, 2002

SANYO Electric Co., Ltd.

PROFILE

SANYO Electric Co., Ltd., was incorporated in 1950. The firm manufactures a broad range of electronic products grouped into six categories: AV/Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others. Sanyo's net sales for the year ended March 31, 2002 ("fiscal 2002"), amounted to ¥2,024.7 billion (US$15,223.5 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly international, comprising 83 manufacturing companies, 37 sales companies, and 38 other companies.

Sanyo's strategic business foci are on the Digital & Devices and Environment fields. Committed to contributing to solving environmental issues, the Company has made the development of technologies that minimize their burdens on the environment an area of strength. It emphasizes such technologies as clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. Notably, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries.

In the Digital & Devices field, Sanyo seeks to become a multimedia device powerhouse by developing pioneering technologies to help drive the digital revolution. The Company's digital cameras, liquid crystal display (LCD) projectors, and cellular and Personal Handyphone System (PHS) phones are highly acclaimed.

Solar Ark contains 5,046 solar cell modules and generates a maximum output of 630kW. The annual output is estimated to be approximately 530 thousand kW-hours. Carbon dioxide reduction amounts to 95 tC/year. Solar Ark measures 315 meters in length and weights 3,000 metric tons.

Contents

Notice Related to Future Outlook

All statements in this annual report other than past factual matters represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in the light of currently available information. Therefore Sanyo does not guarantee the accuracy and reliability of information it receives and asks that you do not rely on this information alone.

There are various risks and uncertainties related to factors causing changes in business results. The principal factors influencing results include: 1) large changes in economic conditions and capital markets as well as changes in consumption in businesses in which Sanyo engages; 2) the effects of changes in the exchange rates between the yen and the dollar as well as the yen and other currencies on Sanyo's international business activities; 3) various trade restrictions in the markets of each country; and 4) Sanyo's ability to provide new technologies, new products, and services amid rapid technological innovation in information technology (IT), market competition, and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to these factors and that there are other factors that contain latent risks and uncertainties.

In this annual report, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

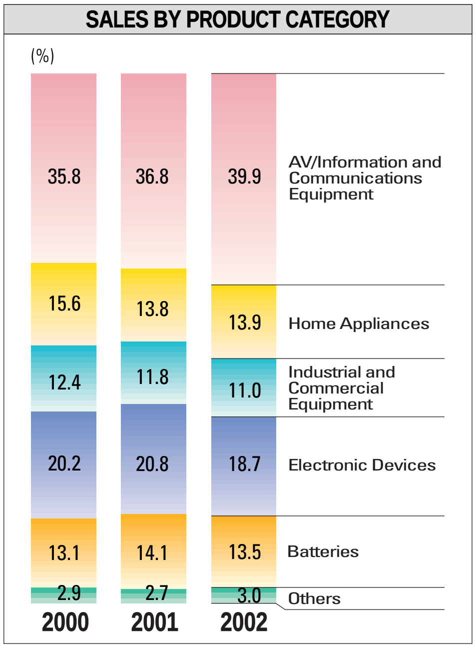
FINANCIAL HIGHLIGHTS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note a)
	2002	2001	2000	**2002**
Net sales	**¥2,024,719**	¥2,157,318	¥1,940,378	**$15,223,451**
Net income	**1,727**	42,201	21,686	**12,985**
Total stockholders' equity	**602,175**	652,322	665,454	**4,527,632**
Total assets	**2,749,709**	2,945,274	2,706,055	**20,674,504**
	Yen			U.S. Dollars (Note a)
Per share (Note b):				
Net income:				
Basic	**¥ 0.9**	¥ 22.6	¥ 11.5	**$ 0.007**
Diluted	**0.9**	22.1	11.4	**0.007**
Cash dividends declared	**6.0**	6.0	5.0	**0.045**
Per American Depositary Share (Notes b and c):				
Net income:				
Basic	**¥ 4.5**	¥ 113.0	¥ 57.5	**$ 0.034**
Diluted	**4.5**	110.5	57.0	**0.034**
Cash dividends declared	**30.0**	30.0	25.0	**0.226**

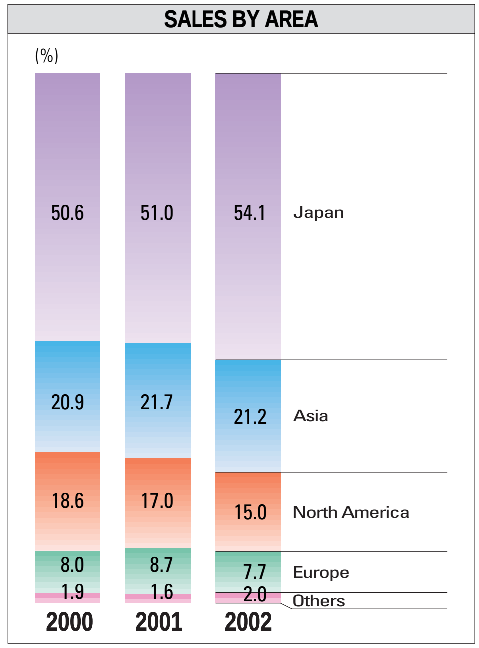
Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US$1, the approximate Tokyo foreign exchange market rate as of March 29, 2002. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 16 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY



Note: This graph shows figures of sales to external customers only.

SALES BY AREA



Note: This graph shows figures of sales to external customers only, according to the geographic regions of customers.

Satoshi Iue, Chairman & Chief Executive Officer

On September 11, 2001, more than 2,800 lives were lost in the terrorist attacks on the United States. Representing the Sanyo Group, we would like to express our deepest sympathies to the families of the victims. As a token of our desire to help, we donated US$500 thousand through the American Red Cross to support these families in the wake of this tragedy.

Looking back on our history, we cannot remember a year in which we have been in the press and other media so much. We hope that our barrage of announcements has given the public a better understanding of our shares, major business fields, new products, in-house reforms, and other features.

Regarding our performance during the fiscal year under review, we must say that the electrical machinery industry faced a business environment without precedent in terms of harshness. Caught in the midst of various reforms, the Sanyo Group fought well to maintain performance.

PERFORMANCE

In fiscal 2002, ended March 31, 2002, the slump in the IT industry that began in the second half of the previous fiscal year continued to sweep like a wave over a broad range of industries. Coupled with the terrorist attacks on the United States, this ongoing downturn in the global economy took a further turn for the worse during the fiscal year.

Japan's economy also deteriorated as personal consumption stagnated under rising unemployment and falling stock prices as the deflationary spiral continued. All in all, it was an extremely difficult business environment.

Despite the continued harsh business climate, we put up a good fight during the fiscal year. While other companies in our industry began to bleed red ink, we managed to post net income. Consolidated net sales, however, declined 6.1%, to ¥2,024.7 billion (US$15,223 million). Within this amount, domestic sales edged down 0.4%, to ¥1,095.6 billion (US$8,237 million), while overseas sales fell 12.1%, to ¥929.1 billion (US$6,986 million).

Looking at business segments, sales by the AV/Information and Communications Equipment segment expanded 1.8%, to ¥807.0 billion (US$6,068 million), thanks to robust sales of cellular and PHS phones, digital cameras, and optical pickups. By contrast, sales of the Home Appliances segment dropped 5.7%, to ¥280.7 billion (US$2,110 million), struggling with the continued weak markets for refrigerators, washing machines, and air conditioners. Industrial and Commercial Equipment segment sales decreased 12.6%, to ¥223.8 billion (US$1,682 million), dampened by the substantial decline in sales of chip mounters due to the downturn in IT-related industries and stagnation in demand for show cases. The Electronic Devices segment had

to contend with the slump in semiconductor, electronic component, and liquid crystal display (LCD) markets, which was reflected in a 15.3% slide in segment sales, to ¥379.1 billion (US$2,850 million). Our Batteries segment posted sales of ¥273.9 billion (US$2,059 million), down 9.9% due to weak demand for cellular and PHS phones and personal computers as well as intensified competition.

Although we made strong efforts to improve operating efficiency and reduce costs, profitability declined under the impact of lower prices and other factors. Consolidated operating income decreased 50.2%, to ¥53.1 billion (US$399 million). Losses on devaluation of investment securities and job change support expenses related to our early retirement program were the main factors contributing to the extraordinary 95.5% drop to ¥3.3 billion (US$25 million) in income before income taxes and minority earnings. Net income fell 95.9%, to ¥1.7 billion (US$13 million), resulting in net income per share of ¥0.92 (US$0.007).

To summarize our cash flow for the fiscal year, net cash provided by operating activities amounted to ¥130.9 billion (US$984 million) while cash used in investing activities amounted to ¥150.5 billion (US$1,131 million). Net cash used in financing activities totaled ¥54.7 billion (US$411 million). Cash and cash equivalents at year end decreased 21.2%, to ¥259.7 billion (US$1,952 million). Our capital investments of ¥62.7 billion (US$471 million) were primarily focused on our battery and semiconductor segments and also included investment in our organic EL display research and development (R&D) facilities. R&D expenses totaled ¥107.0 billion (US$805 million) and were mainly concentrated in our Digital & Devices and Energy & Ecology fields. For results of our R&D activities, please see Research and Development in this annual report.

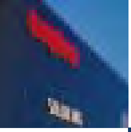
Yukinori Kuwano, President & Chief Operating Officer

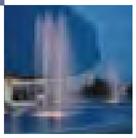
Following our payment of an interim dividend of ¥3.00 (US$0.023) per share, the board of directors decided in a meeting held on June 27, 2002 to pay a year-end dividend of an equal amount, resulting in annual cash dividends for the fiscal year under review of ¥6.00 (US$0.045) per share.

REFORM PROGRESS

Operating under a continued harsh business climate during the fiscal year under review, we proceeded with a variety of reforms aimed at establishing ourselves as a company supremely adapted to the 21st century.

One of these programs is set out in our medium-term business plan, *Challenge 21*, which got under way in April 2001. Through *Challenge 21*, we continue to aim to be No. 1 in the market to increase our profits and our corporate worth. We realize that, in this age of broadband communications, accelerated technological progress, and weeding out of weaker





companies, we need to be the industry leader to survive. In other words, *Challenge 21* is preparing us for an age in which products are standardized and priced globally. *Challenge 21* involves the initiation and pursuit of a variety of measures based on five fundamental strategies. These strategies are:

- Give the customer top priority;
- Focus business management on cash flows and implement quarterly financial reporting in fiscal 2003;
- Target development of No. 1 market share products;
- Be selective and focused in investing resources in businesses, continuing to build a superior business model that is offensive rather than defensive; and
- Introduce innovative systems relating to human resources that will develop employees capable of dealing with the current business environment.

Based on these strategies, we will target the development of top market share products and pursue lower-cost operations. In the current fiscal year, the employees and officers of the Sanyo Group will continue to commit their full efforts to providing our customers with the best business solutions.

Another reform measure implemented in fiscal 2002 was the October 1, 2001 merger of SANYO Life Electronics Co., Ltd., and SANYO Electric Trading Co., Ltd., into SANYO Sales & Marketing Corporation, a new company. Pursuing synergies from the fusion of their respective areas of expertise, our goal in merging these two companies was to create a new business model for the global retail industry. SANYO Life Electronics brought marketing skills and a broad-ranging domestic sales network to the merger while SANYO Electric Trading contributed an overseas sales network as well as product discovery and sourcing know-how.

Corporate governance is also a major reform issue at Sanyo, and we are working to strengthen our business management function and make our management more transparent. In fiscal 2000, we introduced a business group company system and executive officer system to form a clear separation between business management and business execution. In addition, we reformed our board of directors, requiring three of the 11 directors to be outside directors while, in parallel, making two of our five-member audit team outside auditors. Utilizing the exchange of opinions between inside and outside members, we are seeking to strengthen the function and accountability of our management. In addition, we have established director and auditor nomination and compensation committees within the Company to make the selection and compensation of directors and auditors more transparent. We have strengthened internal inspection by setting up a committee to establish and modify inspection regulations and to monitor the business activities of executive officers and those responsible for the management of major Group companies. Furthermore, we have established business strategy, finance, and personnel committees, which propose related strategies and measures to the board of directors. Non-employees of Sanyo ("outsiders") serve as chairmen of both the director and auditor nomination and director and auditor compensation committees. Our business group companies and principal Group companies will reinforce the inspection function with regard to themselves and the main companies under their umbrella to ensure full compliance with Group policies.

STRATEGIC BUSINESS ALLIANCES

To speed up development and raise our competitiveness, we aggressively formed strategic business alliances with leading companies inside and outside our industry during the fiscal year under review.

- In July 2001, we agreed to collaborate with Sharp Corporation in the home appliance field. We will jointly develop environment-related and home-network products, carry out mutual consignment of products from development to manufacturing, and share our global manufacturing bases with the goal of achieving low-cost operations.
- In August 2001, we formed a business alliance with NEC Corporation in the field of medical care information systems. Taking advantage of the specialty areas of both companies, the two companies will carry out mutual supply of Internet-enabled medical care information systems and peripheral products to customers.
- In December 2001, we established a joint venture with Eastman Kodak Company to manufacture organic light-emitting diode (OLED) displays. Volume production began in February 2002.
- In January 2002, we signed a memorandum agreement with Samsung Advanced Institute of Technology (an R&D arm of Samsung Electronics) of the Republic of Korea, on technological collaboration in the fuel cell field.
- In February 2002, under a comprehensive agreement including technology, manufacture, and sales signed in January with the Haier Group of the People's Republic of China, we formed the SANYO-Haier Corporation, a joint venture based in Moriguchi City, Osaka, to sell Haier's products in Japan. Operations began in May 2002.

PERSPECTIVES

The progress in inventory adjustments in IT-related industries indicates that the global economy has bottomed out despite the still uncertain direction of the United States economy. Supported by firm growth in China's economy and recoveries in the economies of Asia, the global economy is showing signs of an overall recovery. Economic recovery in Japan, on the other hand, is still some way off judging from the instability in the financial system, the high unemployment rate and declining personal consumption.

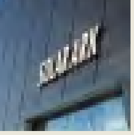
In the current fiscal year, we are further accelerating our efforts to be selective and focused in business development based on our medium-term business plan *Challenge 21*. In addition, we are reorganizing our global production network and working with strategic alliance partners to innovate our business model.

On April 1, 2002, we completed the Solar Ark, a large-scale photovoltaic power generating system, at our Gifu Plant. With this monument to the environment as our symbol, we intend to communicate our environmental stance and technical capabilities to the world, working as a Group to boost worldwide recognition of our corporate brand.

July 2002

Satoshi Iue,
Chairman & Chief Executive Officer

Yukinori Kuwano,
President & Chief Operating Officer



Sanyo Demonstrates Leadership in the Energy & Ecology Field

The photograph on the cover of this annual report is of Solar Ark, our large-scale photovoltaic power generating plant with a maximum power generation capacity of 630kW. A major project undertaken by the Sanyo Group, the Solar Ark took four years to complete, from the first proposal to the official opening in April 2002. Sanyo has been involved with solar cells from the early development stages of the technology; therefore the creation of the Solar Ark symbolizes our commitment to promoting environmental-related businesses and the stance of our corporate philosophy, which aims at the harmonious coexistence of people with the natural environment on a global scale.

The Sanyo Group has designated Digital & Devices and Energy & Ecology—representative industries of the 21st century—as its business pillars for the future. In each field, we are striving for the highest possible technological standards. Specifically, we intend to utilize our core competencies in our Energy & Ecology business to contribute to the clean-up of the environment. Our efforts will include reducing the burden on the environment through improved energy conservation and recycling, the use of clean energy, reduction of industrial wastes, and by responding to other environmental issues.

In this special feature, we introduce several of our most recent developments that are contributing to a healthier environment.

Carbon Dioxide Compressors

Used as a refrigerant, carbon dioxide has several special features: CO_2 does not destroy the ozone layer, contributes only minimally to global warming, and is neither toxic nor flammable.

Sanyo, having developed the world's first hermetic compressors in 1999, leads the world in the efficiency and compactness of its equipment. Leveraging our specialization in highly efficient rotary compressors, we have gone one step further by introducing a proprietary two-stage compression rotary system that can be manufactured on existing production lines. The compressor also has few parts, so achieving cost reductions. Moreover, we have used an internal intermediate compression method to make the compressor lighter and more compact. In terms of function, quality, and size, the compressor is well ahead of the competition and boasts superior environmental features.

Water heater with a heat pump using a natural refrigerant. (Launched in 2002.)

Chronology

1999 • Developed the world's first hermetic two-stage rotary CO_2 compressor.

2001 • Began sales of the world's first heat-pump with a two-stage compressor using a natural refrigerant (CO_2). Full-fledged production began in 2002.
• Developed a vending machine with a two-stage compressor.

Residential Fuel Cell Cogeneration System

Fuel cells are clean energy sources, directly producing electricity through the reaction of hydrogen and oxygen—the only by-product is water. Since electric power can therefore be generated on site, there is no transmission loss. Even when hydrogen created by natural gas is used to generate electricity, the carbon dioxide produced is 30% less than in thermal electric power generation.

Sanyo is currently developing a polymer electrolyte fuel cell (PEFC). Because this fuel cell is compact and requires a low reaction temperature of approximately 80 degrees centigrade, strong demand is anticipated for use in homes or electric cars. The technical superiority of Sanyo's PEFC lies in the fuel cell's electrode technology and polymer ion exchange membrane water separation technology, and in the technologies integrating the system into a product, such as control, computerization, and fuel improvement technologies. Through joint research with Osaka Gas Co., Ltd., we are working at a high pitch to develop and introduce PEFC products.

Experimental operation of residential fuel cell cogeneration system at Osaka Gas.

Chronology

1980 • Signed technology exchange agreement with Energy Research Corporation (ERC) of the United States, for phosphoric acid fuel cells.

1983 • Started Japan's first test running of a fuel cell with 50 kW of output using the vacuum cooling method.

1984 • Jointly with Tokyo Electric Power Co., Ltd., began research on an electric power generation system using vacuum cooling method-based phosphoric acid fuel cells.

1988 • Jointly with Tokyo Electric Power, commenced test runs of a fuel cell cogeneration system.

1992 • Developed the world's first portable phosphoric acid fuel cell.

1999 • Developed a solid polymer residential fuel cell cogeneration system.

2001 • Signed agreement with Osaka Gas to jointly research residential cogeneration system.

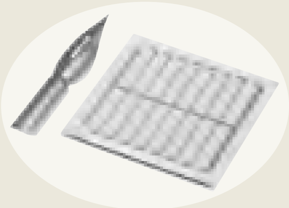
2002 • Osaka Gas started experiment operation of residential cogeneration systems in homes.
• Announced fuel cell technology cooperation agreement with the Samsung Advanced Institute of Technology of the Republic of Korea.

Heterojunction with Intrinsic Thin-Layer (HIT) Solar Cells

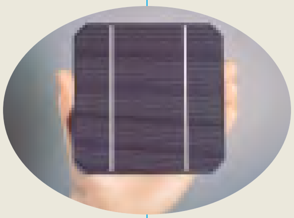
Within the debate on environmental issues, photovoltaic power generating system is drawing the greatest attention as a clean energy source. Japan has a national target of increasing the contribution of photovoltaic power generation to 4.82 million kW by 2010. Since high costs are the main obstacle to wider use of solar cell electric power generation, manufacturers are working hard on increasing power generating efficiency to reduce costs.

Sanyo's technical strength in this field is amorphous silicon solar cells, which we were the first to develop. HIT fuel cells feature superior energy conservation, combining technologies utilizing amorphous silicon, which has high electric power output at high temperature, and monocrystalline silicon, which has high conversion efficiency. At the research level, a practically-sized HIT cell has a power conversion efficiency of 21.0%, the highest fuel cell performance in the world.

Concurrently, we are also proceeding with the development of a microcrystalline silicon fuel cell that features superior cost performance.



Amorphous solar cell.



HIT fuel cell.

Chronology

1979 • Developed amorphous solar cell.
1982 • Began world's first volume production of amorphous silicon solar cells (Sumoto Plant).
1990 • Developed Amorton film, a layer of amorphous silicon on top of plastic film.
• A solar plane using Amorton film as wings flew across the continental United States.
1991 • HIT solar cell developed.
1994 • HIT solar cell achieved world record for power conversion at 20%.
1998 • Cooperating with a roof tile manufacturer, Sanyo developed and commercialized HIT Power Roof, a solar cell integrated with roof tile.
• Developed and commercialized HIT Power Double, a double-sided solar cell.
2000 • Announced construction of the world's largest solar power generation system, Mega Solar, at the Gifu Plant.
• HIT solar cell set world record for power conversion at 21%.
2002 • Large-scale solar cell generating plant Solar Ark and Solar Lab opened.

Double-sided HIT Power Double.

Electrolysis- and Membrane-Based Water Purification System

Wastewater processing system AquaCloser.

The application of water treatment technology ranges from maintaining the sanitation of residential water supplies to treating water contamination from industrial wastewater.

At Sanyo, our strong positioning in this field arises from electrochemical nitrogen removal and hybrid electrolysis sterilization technologies that vary electrodes by application—something no other company offers—and water purification and sterilization technologies based on proprietary ultralow-pressure membranes.

Our electrochemical nitrogen removal system is applicable for home and businesses, and a phosphorus removal function can also be easily added. Our hybrid electrolysis sterilization technology can eliminate cryptosporidium parvum and other illness-causing protozoa as well as chlorine-resistant bacteria. Currently, we are developing an application of this system: a sterilization method for a liquid nutrient recycling system for hydroponics cultivation. In addition, we have successfully developed a low-cost and highly efficient ultralow-pressure membrane system for processing the colloidal solution that is produced in the chemical mechanical polishing (CMP) process in semiconductor manufacture.

Phosphoric acid removal equipment for compact water purification system.

Zero-detergent electrolyzed water cleaning powerd washing machine

Drum-type washer and dryer

We are conducting field tests of these technologies, gaining know-how as we create practical applications. Because we expect these technologies to be the pillars of our environmental business, we are pressing ahead with development at a rapid pace.

Chronology

1987 • Began selling the industry's first cup-type vending machine using electrolysis water sterilization technology.
1998 • Developed compact phosphorus removal water purification equipment.
1999 • Developed wastewater processing equipment for semiconductor assembly processes. (Commercialized as *Aquacloser* by another company in 2001.)
2001 • Developed a system for purifying pool water, *Aqua Clean System*.
• Launched a zero-detergent electrolyzed water washing machine.
• Began sales of a humidifier with an ion removal system.
• Developed a high-speed nitrate removal system for wastewater processing.
2002 • Commenced sales of a foot massager using electrolyte water.
• Began sales of a drum-type washer and dryer that use electrolyte water.
• Began sales of electrolyte water producing equipment.

Water purifier and sterilizer Aqua Clean system.

Nickel Metal Hydride Rechargeable Batteries

The hybrid electric vehicle (HEV) has the potential to contribute strongly to environmental protection by cutting vehicle exhaust and carbon dioxide emissions. Combining an electric motor with a gasoline engine, it achieves substantially improved fuel performance. Amid heightened awareness of environmental issues, people around the world hold great expectations for the HEV.

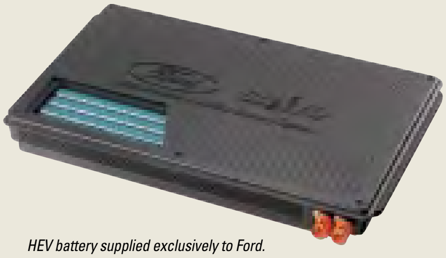
HEV battery (cell)

Sanyo has been in the clean energy field for some time, starting with the development of a rechargeable battery for automobiles in 1996 in a bid to expand rechargeable battery sales. The following year, we began development of nickel metal hydride rechargeable batteries for HEVs, resulting in the launch in 1999 of a nickel metal hydride rechargeable battery that has the highest performance in the industry. Commercialization of the product is proceeding. Ford Motor Company will use the battery in the hybrid sports utility vehicle (SUV) they plan to launch in 2003. The product to be supplied to Ford will also feature new technologies developed by Sanyo. The battery system will not only include a high-performance nickel metal hydride rechargeable battery; it will also incorporate a wide range of environmentally friendly functions using our battery control, refrigeration, and other technologies. Some of these functions include vibration and collision resistance, temperature, sound-dampening, humidity, and dust control.

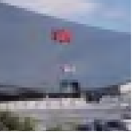
In March 2002, we also concluded an agreement with the Honda Motor Co., Ltd., to jointly develop a high-performance battery for their HEV model. From the perspective of environmental protection, demand for the HEV is steadily growing throughout the world.

Chronology

1999 • Developed one of the best nickel metal hydride rechargeable batteries in the industry for HEVs.
2001 • Signed an exclusive battery supplier agreement with Ford for an HEV under development.
2002 • Concluded an agreement with Honda Motor to jointly develop a nickel metal hydride rechargeable battery for their IMA system HEV.



HEV battery supplied exclusively to Ford.

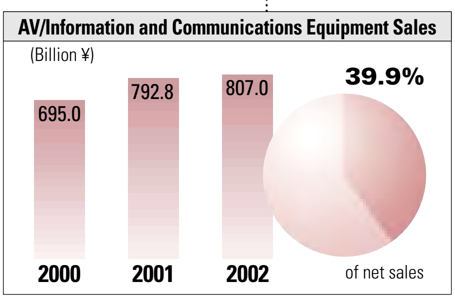


AV/Information and Communications Equipment

- Color TVs
- VCRs
- Video Cameras
- Digital Cameras
- LCD Projectors
- High-Definition TV Systems
- CD Players
- Mini Disc Players
- Automotive Stereo Components
- CDs
- Optical Pickups
- Facsimiles
- Cordless Telephones
- Cellular Phones
- PHS Phones
- PHS Base Stations
- Medical Computer Systems
- Portable Navigation Systems
- LCD Monitors
- CD-R/RW Systems
- DVD-ROM Systems

Sales of AV/Information and Communications Equipment edged up ¥14,232 million, or 1.8%, from the previous fiscal year, to ¥807,045 million (US$6,068 million). Among principal products, sales of TVs declined; however, sales of digital cameras, cellular and PHS phones, optical pickups, and LCD projectors were solid.

Domestic sales of AV/Information and Communications Equipment increased ¥60,959 million, or 15.9%, to ¥444,561 million (US$3,343 million). Sales of digital cameras rose significantly, supported by the launch of cellular and PHS phones with embedded digital cameras, a digital camera offering high-quality still pictures and smooth video clips, and other models. Sales of LCD projectors also jumped. Among other new products, Sanyo was the first to introduce television sets with internal tuners for BS and CS 110-degree broadcasting during the fiscal year. Moreover, sales of a portable navigation system with a 7-inch wide TFT screen were highly favorable.



Overseas sales of AV/Information and Communications Equipment decreased ¥46,727 million, or 11.4%, to ¥362,484 million (US$2,725 million). As in the domestic market, sales of cellular phones were robust and sales of optical pickups increased. By contrast, there was a slump in sales of LCD projectors and VCRs. Among information equipment, there was a marked fall in sales of PCs.

In January 2002, Sanyo began full line production and sales of a new CDMA cellular phone at its cordless phone plant in Tianjin, China. This plant will supply the Chinese market, in which demand is expected to soar.

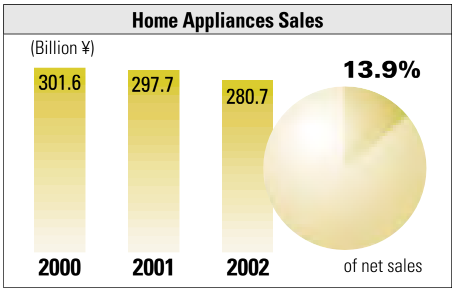
Home Appliances

- Refrigerators
- Freezers
- Washing Machines
- Clothes Dryers
- Microwave Ovens
- Air Conditioners
- Vacuum Cleaners
- Electric Fans
- Massage Loungers
- Dish Washer/Dryer
- Induction Cooker
- Toasters
- Rice Cookers
- Waste Disposers
- System Kitchens
- Electric and Kerosene Heating Equipment
- Air Purifiers
- Dehumidifiers
- Motor-Assisted Bicycles
- Electronic and Electric Products for Bicycles
- Home-Use Pumps
- Medical Sterilizing Equipment
- Medical-Use Refrigerators
- Ultralow-Temperature Freezers
- Automatic Tablet-Wrapping Machines
- Compressors for Freezers/Refrigerators and Air Conditioners

Sales of Home Appliances decreased ¥17,040 million, or 5.7%, to ¥280,690 million (US$2,110 million). Although sales of microwave ovens were about the same as in the previous fiscal year, sales of refrigerators, washing machines, and air conditioners weakened overall.

Domestic sales of Home Appliances fell ¥12,339 million, or 6.3%, to ¥183,366 million (US$1,378 million). Sales of home kitchen appliances increased; however, sales of air conditioners, washing machines, and refrigerators dropped sharply because of price decline. During the fiscal year, Sanyo introduced various highly differentiated products to the market that attracted a great deal of attention, including a zero-detergent electrolyzed water washing machine and the vacuum cleaner with dual block cyclone system that eliminates the need for paper bags. However, the sales of these products were not enough to overcome the downturn in the sales of other products.

Overseas sales of Home Appliances edged down ¥4,701 million, or 4.6%, to ¥97,324 million (US$732 million). Although sales of refrigerators rose substantially, this gain



was offset by the drop in sales of air conditioners. With the exception of core products, sales of all other home appliances declined.

As mentioned in “To Our Stockholders” on page 5, Sanyo formed business alliances with Sharp and Haier during the fiscal year under review. In accordance with the agreement with Haier, Sanyo established a joint venture in Japan in February. These tie-ups are intended to utilize companies’ individual strengths to raise the global competitiveness of both parties.

Sanyo is also making an early start in the water purifying business. In June 2001, the Company introduced a water purification and sterilization system for pools, baths and so on.

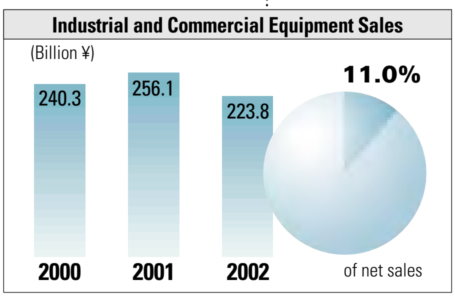
Industrial and Commercial Equipment

- Refrigerated Showcases, Freezer Showcases, Water Coolers
- Supermarket Showcases
- Commercial Freezers/ Refrigerators
- Prefabricated Freezers
- Ice Makers
- Package Air Conditioners
- Gas-Engine Heat-Pump Air Conditioners
- Absorption Chiller/Heaters
- Vending Machines
- Beverage Dispensers
- Golf Cart Systems
- Automatic Chip Mounters

Sales of Industrial and Commercial Equipment decreased ¥32,374 million, or 12.6%, to ¥223,768 million (US$1,682 million). Sales were down in all major categories. Package air conditioners, vending machines, and commercial kitchen appliances declined. Sales of automatic chip mounters dropped sharply because of the slump in IT-related demand and sales of supermarket showcases also fell substantially.

Domestic Industrial and Commercial Equipment sales slid ¥15,300 million, or 7.2%, to ¥198,110 million (US$1,489 million). Sales of supermarket showcases dropped significantly in the aftermath of the rush to purchase this equipment ahead of the enforcement of the Law Concerning Measures by Large-Scale Retail Stores for Preservation of the Living Environment in June 2001. In addition, sales of commercial kitchen appliances were down because of capital investment curbs in the restaurant industry. Effective April 1, 2002, Sanyo transferred all shares of SANYO Electric Vending Machine Co., Ltd., to Fuji Electric Co., Ltd.

Overseas sales of Industrial and Commercial Equipment slipped ¥17,074 million, or 40.0%, to ¥25,658 million (US$193 million). Sales of package air conditioners and supermarket showcases fell substantially because of the restraints on capital expenditure.



Electronic Devices

- MOS-LSIs
- BIP-LSIs
- Thick-Film ICs
- LCDs
- LEDs
- Transistors
- Diodes
- Laser Diodes
- Organic Semiconductive Condensers
- Electronic Components

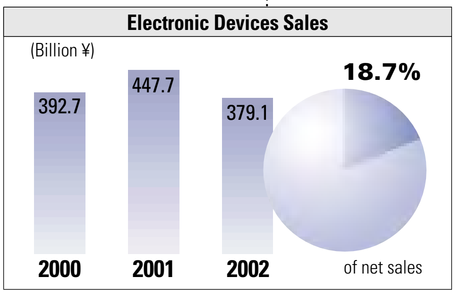
Sales of Electronic Devices dropped ¥68,604 million, or 15.3%, to ¥379,050 million (US$2,850 million). Sales of thick-film ICs were solid, but sales of other semiconductors, electronic components, and LCDs were weak.

Domestic sales of Electronic Devices decreased ¥37,884 million, or 21.0%, to ¥142,284 million (US$1,070 million). During the fiscal year, the semiconductor industry in Japan faced the worst business conditions ever, with sales of LSIs for PC peripheral equipment falling sharply. Following the slump in semiconductors, sales of LCDs also began to decline.

Overseas sales of Electronic Devices decreased ¥30,720 million, or 11.5%, to ¥236,766 million (US$1,780 million). Sales of electronic components, LSIs, and LCDs declined—the fall in sales of electronic components being particularly marked.

During the fiscal year, Sanyo recorded several significant events in this segment. In August 2001, the Company formed an agreement with NEC for business development in the medical care information system field. The two companies will carry out the mutual supply to customers of products and systems in which the two companies have specialized in and hold large market shares. Another highlight of the fiscal year was the establishment of a

joint venture with the Eastman Kodak Company to manufacture active matrix OLED displays, expected to become the next-generation display device. Volume production commenced in February 2002.



A third-generation cellular phone concept model featuring our OLED display was awarded the Best of CES (Telephony Class) at the Consumer Electronics Show, the world's largest tradeshow for consumer technology. Also during the fiscal year, Sanyo received the Silver Award for its System-on-Chip (SoC) for digital cameras at the Design Achievement Award 2001, an international LSI design contest sponsored by the Electronic Data Association (EDA) Consortium.

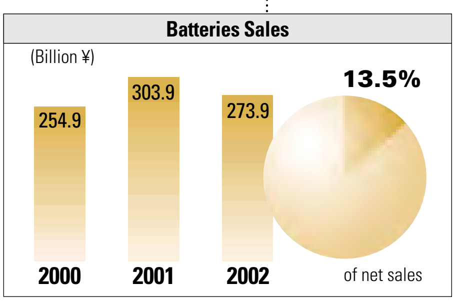
Batteries

- Nickel-Cadmium Rechargeable Batteries
- Lithium-Ion Rechargeable Batteries
- Nickel-Metal Hydride Rechargeable Batteries
- Lithium Batteries
- Alkaline Batteries
- Manganese Batteries
- Solar Cells
- Solar-Cell Power Systems
- Shavers

Sales of Batteries declined ¥30,000 million, or 9.9%, to ¥273,863 million (US$2,059 million) under the impact of the slump in demand for personal computers and price competition.

Domestic Battery sales edged down ¥1,991 million, or 2.5%, to ¥77,362 million (US$582 million). Although market shares of the segment's core rechargeable batteries product group and all other products increased, the weaker cellular and PHS phone market resulted in lower demand for rechargeable batteries and price competition forced down prices, hence reducing the value of sales.

Overseas sales of Batteries decreased ¥28,009 million or 12.5%, to ¥196,501 million (US$1,477 million). Sales of nickel-metal hydride and other rechargeable batteries declined because of the severe price competition.



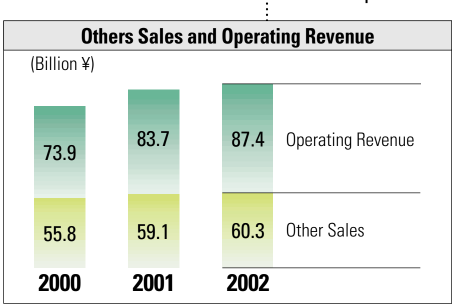
In May 2001, Sanyo completed a production plant for lithium-ion and nickel-metal hydride rechargeable batteries in Escobedo, Mexico. The plant will commence production of these batteries for the United States market in January, 2002.

In March 2002, the Japan Solar Energy Society awarded Sanyo their Excellent Technology Prize for the Company's HIT solar cell. This award is given to companies that develop and commercialize new solar cell-based technology—and has not been awarded to anyone for the past three years.

Others and Operating Revenue

Sales of Others include sales of a number of such items as imported goods, molds, and various parts. In fiscal 2002, sales of Others increased ¥1,187 million, or 2.0%, to ¥60,303 million (US$453 million).

The operations of Operating Revenue also include various services, such as financial services, maintenance, and distribution, which are recorded as operating revenue. In fiscal 2002, operating revenue increased 4.5% from the previous year, to 87,408 million (US$657 million). Among the noteworthy matters of this fiscal year, Sanyo continued to record good results by focusing on providing corporate loans and on leasing business. Moreover, in November 2001, SANYO Electric Logistics Co., Ltd. concluded comprehensive agreements with two consumer electronics store chains in Japan to operate their distribution systems. By renewing their distribution structures, improving efficiency, and reducing costs, SANYO Electric Logistics is contributing to the greater competitiveness of these companies in the market.



A next-generation IMT-2000 format compatible mobile phone

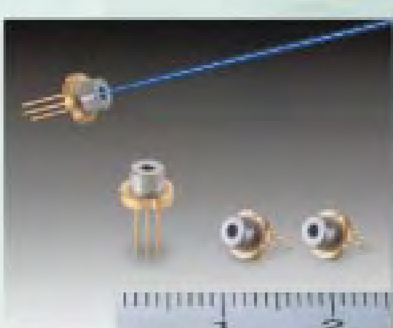
Accelerating Product Launches and Commercialization of New Businesses

The major research themes of our R&D activities are Digital & Devices and Energy & Ecology. In April 2002, we conducted a large-scale revision of our R&D organization to speed up the launch of new high-value-added products and the commercialization of new businesses.

In Japan, we reorganized the five research centers of the R&D Headquarters into three research centers under the R&D Headquarters, which has been renamed the Technology R&D Headquarters. In addition, we established a research center in Kobe for the soft energy field, concentrating our facilities and capabilities in this field. The center will primarily conduct research on rechargeable battery and solar cell technologies. We also reorganized the VB Planning and Development Center into the New Business Planning and Development Center to strengthen our development and nurturing of new businesses.

Overseas, we reformed Sanyo Multimedia Center USA, our R&D facilities in the United States, renaming it the Sanyo Technology Center USA. In addition to its previous research activities, the center is now also doing research in the Energy & Ecology field.

The following are some of the highlights emerging from our research programs during the fiscal year under review.



Blue-violet laser diodes

A standard (non-flat) TV set with a built-in tuner for BS digital and 110-degree CS digital broadcasting

Digital & Devices

- A next-generation IMT-2000 format compatible mobile phone with a 2.2-inch full-color active matrix organic light emitting diode (OLED) display.
- A standard (non-flat screen) TV set with a built-in tuner for BS digital and 110-degree CS digital broadcasting.
- The world's first mass production TFT-LCD module—also the world's largest, at 40 inches.
- Compact, high storage density optomagnetic disc technology that can store 1.3 GB of data on a 50mm disc, allowing recording of digital disk movies and mobile drives.
- A laser pick-up for DVD players with a laser diode that emits two wavelengths (780mm/650mm).
- A blue-violet laser diode—the optimum light source for large-capacity, optical disc systems, such as advanced DVDs. The laser employs a proprietary beam structure that generates a low-noise beam and features low current consumption.
- System in package technology allowing the production of ultrathin, high-performance circuits through direct application of copper wiring patterns on semiconductors without using a support core layer.
- Jointly developed with tmsuk Co., Ltd. a four-legged utility robot for household security that can be remotely controlled over mobile phone networks.

Energy & Ecology

- A low-environmental impact compressor that uses carbon dioxide as a refrigerant, a two-stage compression rotary system to achieve high efficiency and reliability, and a heat pump water heater using this compressor system.
- An electrolysis-based nitrogen removal system that can rapidly eliminate from wastewater nitrate pollutants that cause a reddish-brown tide and other unusual growths in lakes and marshes and other enclosed water areas.
- An absorption-method water heating and cooling system with 10% lower fuel consumption and world class efficiency (energy consumption efficiency of 1.1).
- For digital cameras, a manganese lithium dioxide battery with the largest storage capacity in the industry.

SELECTED FINANCIAL DATA

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2002, 2001, 2000, 1999, and 1998

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2002	2001	2000	1999	1998	**2002**
For the year:						
Net sales	**¥2,024,719**	¥2,157,318	¥1,940,378	¥1,818,153	¥1,866,426	**$15,223,451**
Operating income	**53,074**	106,591	62,095	31,768	62,352	**399,053**
Income (loss) before income taxes and minority interests	**3,274**	73,484	36,953	(14,964)	40,753	**24,617**
Net income (loss)	**1,727**	42,201	21,686	(25,883)	12,320	**12,985**
Capital expenditure	**102,194**	169,990	90,226	88,811	133,103	**768,376**
Depreciation and amortization	**125,443**	117,289	98,711	102,952	101,091	**943,180**
At the year-end:						
Total stockholders' equity	**¥ 602,175**	¥ 652,322	¥ 665,454	¥ 695,615	¥ 750,572	**$ 4,527,632**
Total assets	**2,749,709**	2,945,274	2,706,055	2,662,525	2,641,894	**20,674,504**
Per share:						
(yen and U.S. dollars) (Note b):						
Net income (loss):						
Basic	**¥ 0.9**	¥ 22.6	¥ 11.5	¥ (13.5)	¥ 6.3	**$ 0.007**
Diluted	**0.9**	22.1	11.4	(13.5)	6.3	**0.007**
Cash dividends declared	**6.0**	6.0	5.0	5.0	5.0	**0.045**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes b and c):						
Net income (loss):						
Basic	**¥ 4.5**	¥ 113.0	¥ 57.5	¥ (67.5)	¥ 31.5	**$ 0.034**
Diluted	**4.5**	110.5	57.0	(67.5)	31.5	**0.034**
Cash dividends declared	**30.0**	30.0	25.0	25.0	25.0	**0.226**
Weighted average number of shares (thousands) (Note b)	**1,870,510**	1,871,376	1,889,477	1,920,197	1,951,099	
Sales by product category:						
AV/Information and Communications Equipment	**¥ 807,045**	¥ 792,813	¥ 694,975	¥ 623,774	¥ 622,079	**$ 6,068,008**
Home Appliances	**280,690**	297,730	301,637	311,987	318,092	**2,110,451**
Industrial and Commercial Equipment	**223,768**	256,142	240,325	248,269	265,068	**1,682,466**
Electronic Devices	**379,050**	447,654	392,726	351,727	368,097	**2,850,000**
Batteries	**273,863**	303,863	254,906	217,474	223,350	**2,059,120**
Others	**60,303**	59,116	55,809	64,922	69,740	**453,406**
Net sales	**¥2,024,719**	¥2,157,318	¥1,940,378	¥1,818,153	¥1,866,426	**$15,223,451**
Sales by area:						
Japan	**¥1,095,611**	¥1,100,278	¥ 981,682	¥ 956,538	¥ 991,726	**$ 8,237,677**
Asia	**430,243**	468,458	405,493	368,498	379,638	**3,234,910**
North America	**302,884**	365,726	361,177	307,949	298,305	**2,277,323**
Europe	**156,075**	187,542	155,389	146,272	142,731	**1,173,496**
Others	**39,906**	35,314	36,637	38,896	54,026	**300,045**
Net sales	**¥2,024,719**	¥2,157,318	¥1,940,378	¥1,818,153	¥1,866,426	**$15,223,451**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 847**	¥ 1,060	¥ 694	¥ 434	¥ 535	**$ 6.37**
Low	**418**	616	385	297	290	**3.14**
Number of employees (at the year-end)	**80,500**	86,009	83,519	77,071	67,887	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US$1, the approximate Tokyo foreign exchange market rate as of March 29, 2002. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 16 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

FINANCIAL REVIEW

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2002 and 2001

Overview

Under the difficult conditions in the global economy and in its business climate, Sanyo increased its emphasis on being selective in its businesses and focused in its allocation of business resources, aggressively developing global businesses under the guidance of its medium-term business plan *Challenge 21*. Sanyo continued to concentrate on making efficient use of capital employed, giving priority to its targeted fields as well as to reducing interest-bearing debt. Specifically, in addition to developing and launching new products, Sanyo established joint ventures and made business acquisitions, formed technology and business alliances with other companies, and shed unprofitable businesses. Moreover, Sanyo aimed to strengthen its financial position by recording losses on devaluation of investment securities based on the application of depletion accounting and increased its pension plan liabilities in accordance with new standards. Sanyo also downsized its businesses by reducing its workforce to suit current business conditions.

Consolidated net sales and operating revenue for the fiscal year ended March 31, 2002, declined ¥128.9 billion, or 5.8%, to ¥2,112.1 billion (US$15,881 million), reflecting the deteriorated business climate and slump in demand. Despite Sanyo's efforts to reduce costs, operating income fell ¥53.5 billion, or 50.2%, to ¥53.1 billion (US$399 million) under the impact of price declines. After devaluation losses on investment securities and job change support expenses related to employees who elected early retirement, income before income taxes and minority interests dropped ¥70.2 billion, or 95.5%, to ¥3.3 billion (US$25 million) and net income decreased ¥40.5 billion, or 95.9%, to ¥1.7 billion (US$13 million).

Free cash flow for the fiscal year under review was negative as in the previous fiscal year. However, cash outflow improved by ¥7.8 billion, to ¥19.6 billion (US$147 million).

In keeping with Sanyo's policy of paying dividends, cash dividends applicable to the period comprised an annual dividend of ¥6.0 (US$0.045) per share, and cash dividends per American Depositary Share (ADS) (five shares) amounted to ¥30.0 (US$0.226) per share.

Net Sales and Operating Revenue

Net sales contracted ¥132.6 billion, or 6.1%, to ¥2,024.7 billion (US$15,223 million). Despite a slight increase in the sales of Sanyo's core AV/Information and Communications Equipment business segment, the sales of the other four business segments declined. Overseas net sales were mainly responsible for the decrease in consolidated net sales, dropping ¥127.9 billion, or 12.1%, to ¥929.1 billion (US$6,986 million). Domestic net sales edged down ¥4.7 billion, or 0.4%, to ¥1,095.6 billion (US$8,238 million). As a result, domestic sales as a percentage of net sales rose 3.1 percentage points, to 54.1% while overseas sales as a percentage of net sales declined 3.1 percentage points, to 45.9%.

Business Segments (Unaudited)

	2002						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 807.1	¥ 3.5	¥ 810.6	¥32.7	¥ 488.6	¥ 24.1	¥ 17.9
Home Appliances	280.7	7.4	288.1	(0.8)	262.6	12.1	10.5
Industrial and Commercial Equipment	223.8	1.9	225.7	(0.3)	202.0	4.8	2.7
Electronic Devices	379.0	16.1	395.1	(3.9)	586.6	55.4	45.4
Batteries	273.8	6.4	280.2	24.0	273.6	20.6	17.3
Others	147.7	16.6	164.3	22.0	614.5	4.0	3.9
Sub-total	2,112.1	51.9	2,164.0	73.7	2,427.9	121.0	97.7
Corporate and eliminations	—	(51.9)	(51.9)	(20.6)	321.8	4.4	4.5
Total	¥2,112.1	¥ —	¥2,112.1	¥53.1	¥2,749.7	¥125.4	¥102.2
	Millions of U.S. Dollars						
AV/Information and Communications Equipment	$ 6,069	$ 26	$ 6,095	$246	$ 3,674	$181	$135
Home Appliances	2,110	56	2,166	(6)	1,974	91	79
Industrial and Commercial Equipment	1,683	14	1,697	(2)	1,519	36	20
Electronic Devices	2,849	121	2,970	(29)	4,411	417	341
Batteries	2,059	48	2,107	180	2,057	155	130
Others	1,110	125	1,235	165	4,620	30	29
Sub-total	15,880	390	16,270	554	18,255	910	734
Corporate and eliminations	—	(390)	(390)	(155)	2,419	33	34
Total	$15,880	$ —	$15,880	$399	$20,674	$943	$768

	2001						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 792.8	¥ 2.5	¥ 795.3	¥ 17.4	¥ 527.5	¥ 21.3	¥ 22.0
Home Appliances	297.7	6.6	304.3	1.4	286.4	12.6	13.8
Industrial and Commercial Equipment	256.1	2.8	258.9	14.7	196.5	5.2	5.8
Electronic Devices	447.7	17.8	465.5	36.3	610.2	45.7	87.1
Batteries	303.9	5.4	309.3	38.5	298.6	24.1	33.7
Others	142.8	11.6	154.4	20.2	590.7	4.0	5.8
Sub-total	2,241.0	46.7	2,287.7	128.5	2,509.9	112.9	168.2
Corporate and eliminations	—	(46.7)	(46.7)	(21.9)	435.4	4.4	1.8
Total	¥2,241.0	¥ —	¥2,241.0	¥106.6	¥2,945.3	¥117.3	¥170.0

Geographic Segments (Unaudited)

	2002				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets
	External	Intersegment	Total		
Japan	**¥1,466.2**	**¥377.4**	**¥1,843.6**	**¥59.6**	**¥1,970.2**
Asia	**267.9**	**248.7**	**516.6**	**11.2**	**256.2**
North America	**252.6**	**2.6**	**255.2**	**3.7**	**147.6**
Others	**125.4**	**0.6**	**126.0**	**(0.2)**	**49.8**
Sub-total	**2,112.1**	**629.3**	**2,741.4**	**74.3**	**2,423.8**
Corporate and eliminations	**—**	**(629.3)**	**(629.3)**	**(21.2)**	**325.9**
Total	**¥2,112.1**	**¥ —**	**¥2,112.1**	**¥53.1**	**¥2,749.7**
	Millions of U.S. Dollars				
Japan	**$11,024**	**$2,838**	**$13,862**	**$448**	**$14,814**
Asia	**2,014**	**1,870**	**3,884**	**84**	**1,926**
North America	**1,899**	**20**	**1,919**	**28**	**1,110**
Others	**943**	**4**	**947**	**(2)**	**374**
Sub-total	**15,880**	**4,732**	**20,612**	**558**	**18,224**
Corporate and eliminations	**—**	**(4,732)**	**(4,732)**	**(159)**	**2,450**
Total	**$15,880**	**$ —**	**$15,880**	**$399**	**$20,674**

	2001				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥1,522.6	¥ 432.8	¥1,955.4	¥108.1	¥2,070.7
Asia	313.8	223.1	536.9	12.4	247.6
North America	256.1	5.0	261.1	7.4	153.2
Others	148.5	0.9	149.4	0.6	59.0
Sub-total	2,241.0	661.8	2,902.8	128.5	2,530.5
Corporate and eliminations	—	(661.8)	(661.8)	(21.9)	414.8
Total	¥2,241.0	¥ —	¥2,241.0	¥106.6	¥2,945.3

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133=US$1, the approximate Tokyo foreign exchange market rate as of March 29, 2002.

For breakdowns of net sales by business and geographic segments, please see the review of operations.

Operating revenue climbed ¥3.7 billion, or 4.5%, to ¥87.4 billion (US$657 million). This increase can be attributed to favorable growth in finance leases and corporate loans in Sanyo's credit business.

Costs, Expenses, and Operating Income

Cost of sales amounted to ¥1,704.8 billion (US$12,818 million), a decrease of ¥62.6 billion, or 3.5%, from the previous fiscal year, falling less than the 6.1% contraction in net sales. The cost of sales ratio rose 2.3 percentage points, to 84.2%, from 81.9% in the preceding fiscal year, worsening despite Sanyo's cost reduction efforts. The increase in the cost of sales ratio was primarily due to the decline in net sales arising from cuts in product prices and to the increased fixed cost burden produced by lower net sales.

On the other hand, business expenses restraint produced a ¥12.8 billion, or 3.5%, decrease in SG&A expenses to ¥354.3 billion (US$2,664 million). R&D expenses totaled ¥107.0 billion (US$805 million), falling ¥1.8 billion year on year. R&D expenses as a percentage of net sales were 5.3%.

Consequently, operating income slid ¥53.5 billion, or 50.2%, to ¥53.1 billion (US$399 million), mainly because of lower gross profit. Operating income as a percentage of net sales and operating revenues fell to 2.3 percentage points, to 2.5% from 4.8%

There follows a description of operating income by business and geographical segment. For details, please see the tables on pages 14 and 15.

● AV/Information and Communications Equipment
The only segment to post growth during the fiscal year, operating income soared ¥15.3 billion, or 87.9%, to ¥32.7 billion (US$246 million) thanks to robust sales of cellular and PHS phones, digital cameras, and optical pickups.

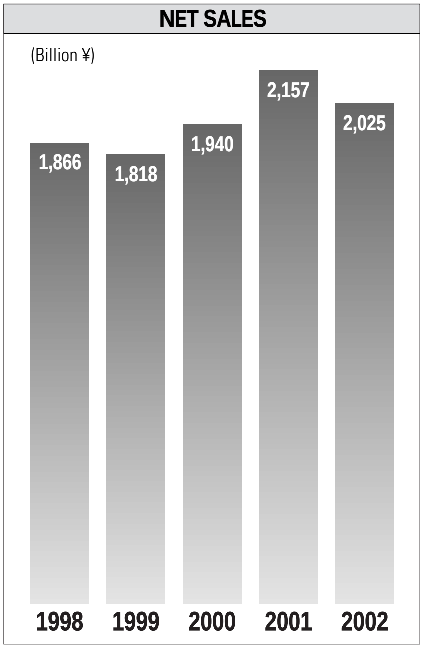
● Home Appliances
Operating loss amounted to ¥0.8 billion (US$6 million), decreasing ¥2.2 billion compared with the previous fiscal year. An overall slump in sales of refrigerators, washing machines, and air conditioners was responsible for the decline.

● Industrial and Commercial Equipment
Deteriorating IT-related demand produced a substantial drop in sales of chip mounters. Combined with the slump in supermarket showcases, these lower sales resulted in an operating loss of ¥0.3 billion (US$2 million), down ¥15.0 billion from the prior fiscal year.

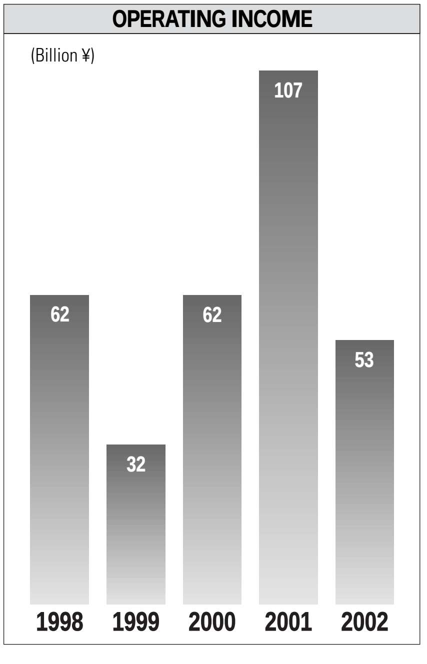
● Electronic Devices
Weak demand for semiconductors, electronic components, and LCDs were reflected in an operating loss of ¥3.9 billion (US$29 million), down ¥40.2 billion year on year. This substantial decline was the principal factor behind the decrease in Sanyo's overall operating income.

● Batteries
Operating income fell ¥14.5 billion, or 37.7%, to ¥24.0 billion (US$180 million) under the impact of stagnant demand and intensified price competition for cellular and PHS phones, personal computers, and other IT-related devices.

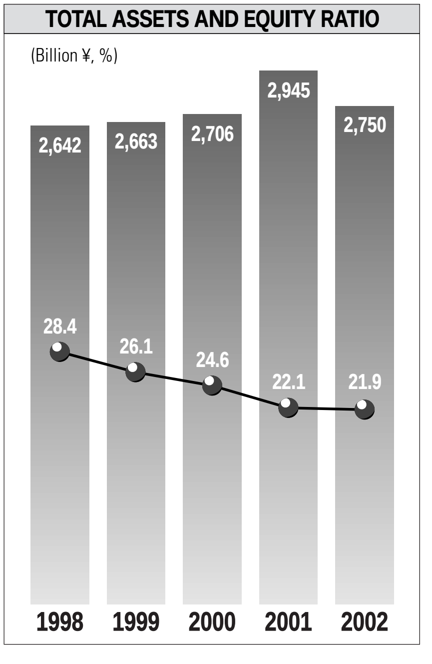
NET SALES



OPERATING INCOME



TOTAL ASSETS AND EQUITY RATIO



● Others
Operating income rose ¥1.8 billion, or 8.9%, to ¥22.0 billion (US$165 million) thanks to increased income from the credit business.

Looking at operating income by geographical segment, operating income was down in all segments because of a slump in demand domestically and overseas, including exports, and because of heightened price competition.

● Japan
Operating income fell a substantial ¥48.5 billion, or 44.9%, to ¥59.6 billion (US$448 million) and was a main factor in the overall decrease in Sanyo's operating income.

● Asia
Operating income declined ¥1.2 billion, or 9.7%, to ¥11.2 billion (US$84 million).

● North America
The slowdown in the U.S. economy caused operating income to fall ¥3.7 billion, or 50.0%, to ¥3.7 billion (US$28 million).

● Others
Worsening performances, especially in Europe, resulted in an operating loss of ¥0.2 billion (US$2 million), a drop of ¥0.8 billion from the previous fiscal year.

Other Income (Expenses) and Net Income

Other expenses, net, expanded ¥16.7 billion, to ¥49.8 billion (US$374 million). Of this amount, interest expenses, net, declined ¥2.3 billion, to ¥14.5 billion (US$109 million). Although interest and dividends income fell, interest expenses, net, mainly decreased because of lower interest expenses due to a reduction in interest-bearing debt, principally from the redemption of bonds.

Others, net, increased ¥13.5 billion, to ¥38.6 billion (US$291 million), because Sanyo recorded devaluation loss on investment securities and job change support expenses for early retirement of employees.

As a result of the preceding factors, income before income taxes and minority interests amounted to ¥3.3 billion (US$25 million), down ¥70.2 billion, or 95.5% from the previous fiscal year. Income before minority interests fell ¥46.5 billion, or 98.1%, to ¥0.9 billion (US$7 million). After deducting minority interests and making adjustments for cumulative effect of accounting changes, Sanyo recorded net income of ¥1.7 billion (US$13 million), declining ¥40.5 billion, or 95.9%, from the previous fiscal year.

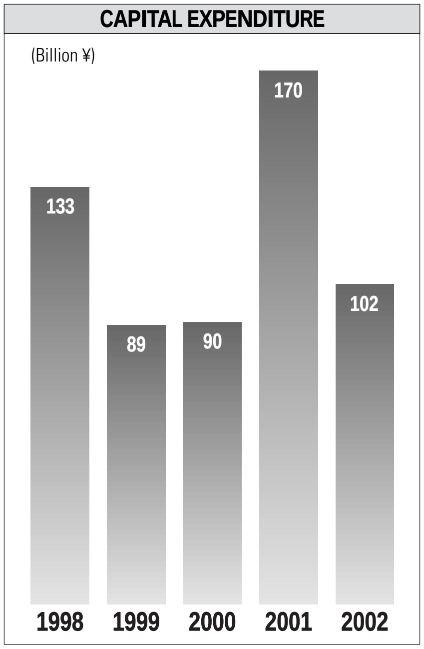
Basic net income per share was ¥0.9 (US$0.007), compared with ¥22.6 in the previous fiscal year. Basic net income per ADS (five common shares) declined to ¥4.5 (US$0.034), from ¥113.0 a year earlier.

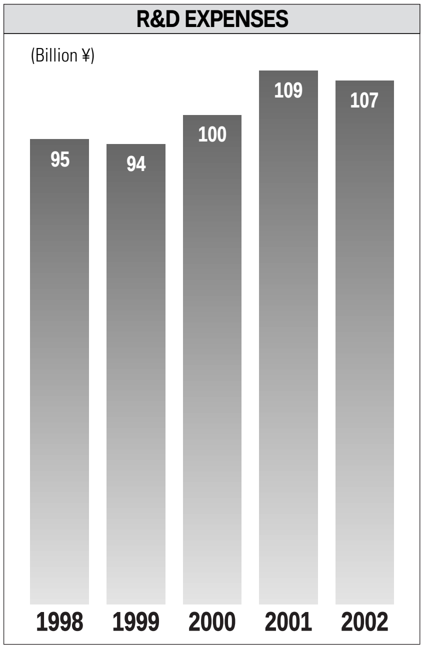
Financial Position

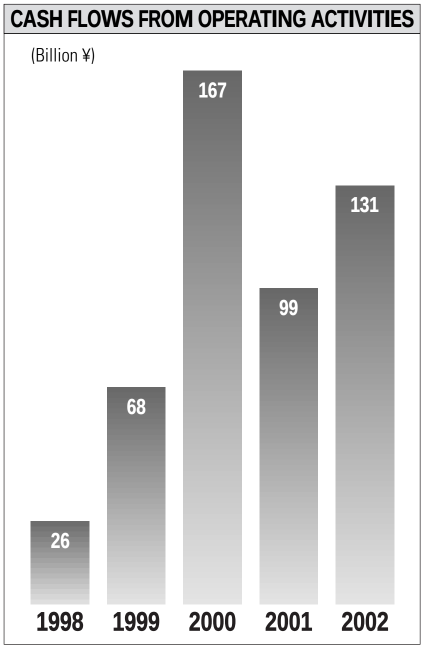
Assets

As a result of efforts to make more efficient use of capital and strengthen our financial position, total assets at fiscal year-end contracted ¥195.6 billion, or 6.6%, to ¥2,749.7 billion (US$20,675 million).

By type of asset, total current assets decreased ¥142.6 billion, to ¥1,465.4 billion (US$11,018 million), accounting for 72.9% of the total contraction in assets. The main factor contributing to this decline







was a ¥69.9 billion decrease in cash and cash equivalents (hereafter referred to as cash), primarily because of redemptions of interest-bearing debt and the use of cash to fund a portion of purchases of plant and equipment. In addition, receivables dropped ¥47.2 billion owing to the decrease in sales and inventory declined ¥26.6 billion due to inventory adjustments.

Although investments and advances in affiliates and subsidiaries increased ¥11.7 billion, the application of depletion accounting resulted in the posting of ¥60.2 billion in losses on devaluation and sale of investment securities. Consequently, there was a net decline in investment and advances of ¥48.5 billion, to ¥302.5 billion (US$2,274 million).

Net property, plant and equipment decreased ¥38.0 billion, to ¥662.1 billion (US$4,978 million). During the fiscal year, Sanyo invested a total of ¥102.2 billion (US$768 million) in property, plant and equipment in batteries, electronic devices, and other fields of emphasis. However, because capital investments were kept within the scope of depreciation and amortization, property, plant and equipment fell as a result of sales and disposal.

As a result of the application of tax effect accounting, deferred income taxes increased ¥61.6 billion, to ¥140.4 billion (US$1,056 million).

Other assets declined ¥28.1 billion, to ¥179.3 billion (US$1,348 million) because of decrease of long-term assets.

Liabilities and Stockholders' Equity

Total liabilities contracted ¥140.8 billion, or 6.3%, to ¥2,103.3 billion (US$15,814 million). Of this amount, total short- and long-term interest-bearing debt decreased ¥20.2 billion, to ¥1,167.1 billion (US$8,775 million). Net funding derived from proceeds and repayments recorded in cash flows from financing activities totaled ¥41.6 billion, and the ¥21.4 billion difference from the balance sheet figures can mainly be attributed to translation losses on foreign-currency denominated loans because of the depreciation of the yen.

Under long-term debt, there were three regularly scheduled redemptions totaling ¥42.1 billion while one ¥10.0 billion straight bond issue was made during the fiscal year.

Operating liabilities and other liabilities decreased ¥120.6 billion, to ¥936.2 billion (US$7,039 million). This decline can be attributed to a ¥119.6 billion drop in notes and accounts payable, reflecting the decline in sales, inventory adjustments, and payment of payables related to the high level of capital investments in the previous fiscal year. In addition, accrued expenses, including accrued dividends payable, decreased ¥33.9 billion and accrued income taxes fell ¥4.4 billion. Conversely, accrued pension and severance costs increased ¥38.7 billion, primarily due to a rise in projected benefit obligations.

Total stockholders' equity decreased ¥50.1 billion, to ¥602.2 billion (US$4,528 million), and the stockholders' equity ratio edged down 0.2 percentage points, to 21.9%, from 22.1%. The main factor underlying the decrease in stockholders' equity was the ¥39.4 billion growth in accumulated other comprehensive loss to ¥113.5 billion (US$853 million) because of increases in net unrealized losses on securities and in minimum pension liability adjustments, despite efforts to reduce total assets and liabilities. Retained earnings decreased ¥9.5 billion because net income was less than payment of cash dividends.

Cash Flows

Cash and cash equivalents (hereafter referred to as cash) at the end of the fiscal period amounted to ¥259.7 billion (US$1,952 million), down ¥69.9 billion from the previous fiscal year-end. This decline can mainly be attributed to the generation of funds in the previous period in preparation for bond redemptions and capital expenditures in the period under review. The amount of cash is approximately 1.5 months of average monthly sales of ¥176.0 billion, representing adequate liquidity for normal business operations.

Net cash provided by operating activities increased ¥31.6 billion from the previous fiscal year, to ¥130.9 billion (US$984 million). Net cash inflow, consisting of net income and other noncash items, amounted to ¥116.7 billion (US$877 million), down ¥43.3 billion from the previous fiscal year. This decrease was due to the substantial drop in net income and the overall decrease in noncash items, particularly provision for income taxes—deferred, despite an increase in depreciation and amortization. On the other hand, changes in assets and liabilities, net of effect, produced a net cash inflow of ¥14.2 billion (US$107 million), a ¥74.9 billion improvement compared with the net cash outflow of ¥60.6 billion in the previous fiscal year. This cash inflow mainly arose from the contraction in receivables and in inventories being greater than the contraction in notes and accounts payables and other current liabilities.

Net cash used in investing activities, consisting principally of ¥146.9 billion (US$1,104 million) in payments for purchases of property, plant and equipment, amounted to ¥150.5 billion (US$1,131 million), up ¥23.7 billion from the previous fiscal year. This growth resulted from a ¥23.3 billion increase in payments for purchases of property, plant and equipment due to the payment of payables related to the high level capital investment in the previous fiscal year. There were no major changes in short- and long-term investments and advances.

Net cash used in financing activities amounted to ¥54.7 billion (US$411 million), compared with net cash provided by financing activities of ¥9.4 billion in the previous fiscal year. This reversal can be attributed to a ¥21.1 billion net increase in short- and long-term interest-bearing debt in the previous fiscal year to fund scheduled redemptions and capital expenditures in the fiscal year under review. This amount and other funds were used during the fiscal year, resulting in an overall net repayment of long-term interest-bearing debt of ¥41.6 billion.

Among other amounts, dividends paid amounted to ¥11.8 billion (US$89 million) and repurchases of common stock amounted to ¥1.3 billion (US$10 million).

CONSOLIDATED STATEMENTS OF INCOME

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2002	2001	2000	**2002**
Sales and operating revenue:				
Net sales (Note 5)	**¥2,024,719**	¥2,157,318	¥1,940,378	**$15,223,451**
Operating revenue	**87,408**	83,679	73,875	**657,203**
	2,112,127	2,240,997	2,014,253	**15,880,654**
Costs and expenses (Note 15):				
Cost of sales (Note 5)	**1,704,797**	1,767,392	1,599,231	**12,818,022**
Selling, general and administrative	**354,256**	367,014	352,927	**2,663,579**
	2,059,053	2,134,406	1,952,158	**15,481,601**
Operating income	**53,074**	106,591	62,095	**399,053**
Other income:				
Interest and dividends	**8,732**	9,673	9,271	**65,654**
Foreign currency transaction gains, net	**3,308**	8,768	—	**24,872**
Other (Note 6)	**23,366**	20,584	29,186	**175,685**
	35,406	39,025	38,457	**266,211**
Other expenses:				
Interest	**23,196**	26,427	27,914	**174,406**
Foreign currency transaction losses, net	**—**	—	8,734	**—**
Other (Note 6)	**62,010**	45,705	26,951	**466,241**
	85,206	72,132	63,599	**640,647**
Income before income taxes and minority interests	**3,274**	73,484	36,953	**24,617**
Income taxes (Note 14):				
Current	**21,172**	29,775	31,367	**159,188**
Deferred	**(18,785)**	(3,711)	(20,654)	**(141,240)**
	2,387	26,064	10,713	**17,948**
Income before minority interests	**887**	47,420	26,240	**6,669**
Minority interests	**(2,017)**	5,219	4,554	**(15,166)**
Income before cumulative effect of accounting change	**2,904**	42,201	21,686	**21,835**
Cumulative effect of accounting change	**(1,177)**	—	—	**(8,850)**
Net income	**¥ 1,727**	¥ 42,201	¥ 21,686	**$ 12,985**

	Yen			U.S. Dollars (Note 2)
Per share:				
Basic (Note 16):				
Basic net income per share before cumulative effect of accounting change	**¥ 1.5**	¥ 22.6	¥ 11.5	**$ 0.011**
Cumulative effect of accounting change	**(0.6)**	—	—	**(0.004)**
Basic net income per share	**0.9**	22.6	11.5	**0.007**
Diluted (Note 16):				
Diluted net income per share before cumulative effect of accounting change	**1.5**	22.1	11.4	**0.011**
Cumulative effect of accounting change	**(0.6)**	—	—	**(0.004)**
Diluted net income per share	**0.9**	22.1	11.4	**0.007**
Cash dividends declared	**6.0**	6.0	5.0	**0.045**
Per American Depositary Share:				
Basic:				
Basic net income per share before cumulative effect of accounting change	**¥ 7.5**	¥ 113.0	¥ 57.5	**$ 0.056**
Cumulative effect of accounting change	**(3.0)**	—	—	**(0.022)**
Basic net income per share	**4.5**	113.0	57.5	**0.034**
Diluted:				
Diluted net income per share before cumulative effect of accounting change	**7.5**	110.5	57.0	**0.056**
Cumulative effect of accounting change	**(3.0)**	—	—	**(0.022)**
Diluted net income per share	**4.5**	110.5	57.0	**0.034**
Cash dividends declared	**30.0**	30.0	25.0	**0.226**
Weighted average number of shares (thousands)	**1,870,510**	1,871,376	1,889,477	

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2002 and 2001

ASSETS	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 2) 2002
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 78,725**	¥ 59,267	**$ 591,917**
Time deposits	**180,957**	270,313	**1,360,579**
	259,682	329,580	**1,952,496**
Short-term investments (Notes 6 and 11)	**66,806**	49,968	**502,301**
Receivables:			
Notes and accounts	**395,492**	445,363	**2,973,624**
Finance receivables (Note 3)	**223,487**	208,803	**1,680,353**
Affiliates and unconsolidated subsidiaries	**45,258**	54,453	**340,286**
Allowance for doubtful accounts	**(20,720)**	(17,860)	**(155,789)**
	643,517	690,759	**4,838,474**
Inventories (Note 4)	**404,688**	431,247	**3,042,767**
Deferred income taxes (Note 14)	**23,960**	29,902	**180,150**
Prepaid expenses and other	**66,766**	76,574	**502,000**
Total current assets	**1,465,419**	1,608,030	**11,018,188**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**36,320**	24,642	**273,083**
Other (Notes 6 and 11)	**266,185**	326,393	**2,001,391**
	302,505	351,035	**2,274,474**
Property, plant and equipment (Note 7):			
Buildings	**483,691**	472,851	**3,636,775**
Machinery and equipment	**1,013,659**	1,007,839	**7,621,496**
	1,497,350	1,480,690	**11,258,271**
Accumulated depreciation	**(999,976)**	(961,852)	**(7,518,617)**
	497,374	518,838	**3,739,654**
Land	**146,220**	146,178	**1,099,399**
Construction in progress	**18,526**	35,086	**139,293**
	662,120	700,102	**4,978,346**
Deferred income taxes (Note 14)	**140,405**	78,795	**1,055,677**
Other assets	**179,260**	207,312	**1,347,819**
	¥2,749,709	¥2,945,274	**$20,674,504**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 2) 2002
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 464,475**	¥ 437,583	**$ 3,492,293**
Current portion of long-term debt (Note 7)	**154,963**	169,791	**1,165,136**
Notes and accounts payable:			
Trade	**391,337**	457,753	**2,942,383**
Affiliates and unconsolidated subsidiaries	**9,405**	10,586	**70,714**
Construction	**30,086**	82,070	**226,211**
	430,828	550,409	**3,239,308**
Accrued income taxes	**16,777**	21,220	**126,143**
Employees' savings deposits	**26,697**	28,171	**200,729**
Other, including dividends payable and accrued expenses	**222,603**	256,503	**1,673,707**
Total current liabilities	**1,316,343**	1,463,677	**9,897,316**
Long-term debt (Notes 7 and 11)	**547,620**	579,825	**4,117,443**
Accrued pension and severance costs (Note 8)	**239,301**	200,559	**1,799,256**
Total liabilities	**2,103,264**	2,244,061	**15,814,015**
Minority interests in consolidated subsidiaries	**44,270**	48,891	**332,857**
Commitments and contingent liabilities (Note 10)			
Stockholders' equity (Note 13):			
Common stock:			
Authorized:			
March 31, 2002 and 2001—4,921,196 thousand shares			
Issued:			
March 31, 2002 and 2001—1,872,335 thousand shares	**172,241**	172,241	**1,295,045**
Additional paid-in capital	**336,028**	336,028	**2,526,527**
Retained earnings	**209,674**	219,166	**1,576,496**
Accumulated other comprehensive loss	**(113,487)**	(74,129)	**(853,286)**
	604,456	653,306	**4,544,782**
Less, treasury stock at cost:			
2002—2,161,204 shares	**(2,281)**	—	**(17,150)**
2001—1,034,654 shares	**—**	(984)	**—**
Total stockholders' equity	**602,175**	652,322	**4,527,632**
	¥2,749,709	¥2,945,274	**$20,674,504**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2002, 2001 and 2000

	Millions of Yen								
				Accumulated Other Comprehensive Income (Loss)					
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Net Unrealized Gains (Losses) on Derivatives	Total	Total Comprehensive Income (Loss)
Balance, March 31, 1999 (1,904,256)	¥172,238	¥351,129	¥175,915	¥ 26,372	¥(26,847)	¥ (3,166)	—	¥ (3,641)	
Comprehensive income (loss):									
Net income			21,686						¥ 21,686
Other comprehensive income (loss):									
Net unrealized gains on securities (net of tax of ¥5,600 million) (Note 6)				9,378				9,378	9,378
Reclassification adjustments for net gains realized in net income (net of tax of ¥4,769 million)				(6,236)				(6,236)	(6,236)
Foreign currency translation adjustments					(11,412)			(11,412)	(11,412)
Minimum pension liability adjustments (Note 8) (net of tax of ¥13,750 million)						(18,987)		(18,987)	(18,987)
Total									¥ (5,571)
Cash dividends			(9,408)						
Common stock repurchased and cancelled (31,929)		(15,103)							
Balance, March 31, 2000 (1,872,327)	172,238	336,026	188,193	29,514	(38,259)	(22,153)	—	(30,898)	
Comprehensive income (loss):									
Net income			42,201						¥ 42,201
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥25,234 million) (Note 6)				(35,241)				(35,241)	(35,241)
Reclassification adjustments for net losses realized in net income (net of tax of ¥2,381 million)				3,548				3,548	3,548
Foreign currency translation adjustments					13,753			13,753	13,753
Minimum pension liability adjustments (Note 8) (net of tax of ¥18,314 million)						(25,291)		(25,291)	(25,291)
Total									¥ (1,030)
Cash dividends			(11,228)						
Conversion of convertible bonds (8)	3	2							
Balance, March 31, 2001 (1,872,335)	**172,241**	**336,028**	**219,166**	**(2,179)**	**(24,506)**	**(47,444)**	**—**	**(74,129)**	
Comprehensive income (loss):									
Net income			**1,727**						**¥ 1,727**
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥26,680 million) (Note 6)				**(37,900)**				**(37,900)**	**(37,900)**
Reclassification adjustments for net losses realized in net income (net of tax of ¥8,546 million)				**12,125**				**12,125**	**12,125**
Foreign currency translation adjustments					**9,333**			**9,333**	**9,333**
Minimum pension liability adjustments (Note 8) (net of tax of ¥15,384 million)						**(21,245)**		**(21,245)**	**(21,245)**
Cumulative effect of adopting SFAS No. 133 (net of tax of ¥1,762 million)							**¥ (807)**	**(807)**	**(807)**
Net unrealized losses on derivatives (net of tax of ¥1,406 million) (Note 12)							**(1,428)**	**(1,428)**	**(1,428)**
Reclassification adjustments for net losses realized in net income (net of tax of ¥799 million)							**564**	**564**	**564**
Total									**¥(37,631)**
Cash dividends			**(11,219)**						
Balance, March 31, 2002 (1,872,335)	**¥172,241**	**¥336,028**	**¥209,674**	**¥(27,954)**	**¥(15,173)**	**¥(68,689)**	**¥(1,671)**	**¥(113,487)**	
				Thousands of U.S. Dollars (Note 2)					
Balance, March 31, 2001 (1,872,335)	**$1,295,045**	**$2,526,527**	**$1,647,865**	**$ (16,383)**	**$(184,256)**	**$(356,722)**	**—**	**$(557,361)**	
Comprehensive income (loss):									
Net income			**12,985**						**$ 12,985**
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of $200,602 thousand) (Note 6)				**(284,962)**				**(284,962)**	**(284,962)**
Reclassification adjustments for net losses realized in net income (net of tax of $64,256 thousand)				**91,165**				**91,165**	**91,165**
Foreign currency translation adjustments					**70,173**			**70,173**	**70,173**
Minimum pension liability adjustments (Note 8) (net of tax of $115,669 thousand)						**(159,737)**		**(159,737)**	**(159,737)**
Cumulative effect of adopting SFAS No. 133 (net of tax of $13,248 thousand)							**$ (6,068)**	**(6,068)**	**(6,068)**
Net unrealized losses on derivatives (net of tax of $10,571 thousand) (Note 12)							**(10,737)**	**(10,737)**	**(10,737)**
Reclassification adjustments for net losses realized in net income (net of tax of $6,008 thousand)							**4,241**	**4,241**	**4,241**
Total									**$(282,940)**
Cash dividends			**(84,354)**						
Balance, March 31, 2002 (1,872,335)	**$1,295,045**	**$2,526,527**	**$1,576,496**	**$(210,180)**	**$(114,083)**	**$(516,459)**	**$(12,564)**	**$(853,286)**	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Net income	**¥ 1,727**	¥ 42,201	¥ 21,686	**$ 12,985**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**125,443**	117,289	98,711	**943,180**
Loss (gain) on sale of marketable securities and investment securities	**5,963**	2,201	(8,497)	**44,834**
Loss on disposal of property, plant and equipment	**3,654**	4,045	5,098	**27,474**
Provision for income taxes—deferred	**(18,785)**	(3,711)	(20,654)	**(141,240)**
Equity in earnings of affiliates and unconsolidated subsidiaries	**(1,308)**	(2,036)	(1,254)	**(9,835)**
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2000:				
Decrease (increase) in receivables	**53,179**	(107,853)	(42,659)	**399,842**
Decrease (increase) in inventories	**34,666**	(34,236)	30,927	**260,647**
Decrease (increase) in prepaid expenses and other	**17,468**	(26,234)	2,067	**131,338**
Decrease (increase) in other assets	**16,657**	(22,547)	(18,146)	**125,241**
(Decrease) increase in notes and accounts payable	**(70,788)**	73,378	41,061	**(532,241)**
(Decrease) increase in accrued income taxes	**(4,696)**	(3,590)	18,572	**(35,308)**
(Decrease) increase in other current liabilities	**(34,502)**	39,430	14,350	**(259,414)**
Other, net	**2,230**	21,007	25,607	**16,767**
Total adjustments	**129,181**	57,143	145,183	**971,285**
Net cash provided by operating activities	**130,908**	99,344	166,869	**984,270**
Cash flows from investing activities:				
(Increase) decrease in short-term investments	**(15,281)**	(14,540)	3,775	**(114,895)**
Proceeds from sale of investments and collection of advances	**30,879**	33,284	18,729	**232,173**
Proceeds from sale of property, plant and equipment	**24,978**	15,214	9,826	**187,805**
Payments for purchase of investments and advances	**(38,921)**	(36,967)	(28,243)	**(292,639)**
Payments for purchase of property, plant and equipment	**(146,891)**	(123,641)	(79,649)	**(1,104,444)**
Other, net	**(5,222)**	(80)	(241)	**(39,263)**
Net cash used in investing activities	**(150,458)**	(126,730)	(75,803)	**(1,131,263)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	**19,652**	10,846	(66,829)	**147,759**
Proceeds from issuance of long-term debt	**122,440**	143,804	149,088	**920,602**
Repayments of long-term debt	**(183,707)**	(133,548)	(121,560)	**(1,381,255)**
Dividends paid	**(11,794)**	(10,842)	(9,488)	**(88,677)**
Repurchases of common stock	**(1,297)**	(879)	(15,183)	**(9,752)**
Net cash (used in) provided by financing activities	**(54,706)**	9,381	(63,972)	**(411,323)**
Effect of exchange rate changes on cash and cash equivalents	**4,358**	6,123	(5,473)	**32,767**
Net (decrease) increase in cash and cash equivalents	**(69,898)**	(11,882)	21,621	**(525,549)**
Cash and cash equivalents of newly consolidated subsidiaries	**—**	—	7,129	**—**
Cash and cash equivalents at beginning of year	**329,580**	341,462	312,712	**2,478,045**
Cash and cash equivalents at end of year	**¥259,682**	¥329,580	¥341,462	**$1,952,496**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SANYO Electric Co., Ltd. and Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in six business segments: "AV/Information and Communications Equipment," "Home Appliances," "Industrial and Commercial Equipment," "Electronic Devices," "Batteries" and "Others." Fiscal 2002 net sales comprised AV/Information and Communications Equipment (40%), Home Appliances (14%), Industrial and Commercial Equipment (11%), Electronic Devices (19%), Batteries (13%) and Others (3%). The principal markets are in Japan, Asia, North America, Europe and others, with sales in each area representing 54%, 21%, 15%, 8% and 2%, respectively, of net sales for the year ended March 31, 2002. Sanyo has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as Japan and China, as well as in North America and Europe.

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles as defined in the United States of America. Such adjustments primarily comprise accruing pension and severance costs, and deferring bond issue expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet date, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet date. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on the estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Advertising Costs

Advertising costs are generally expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Derivatives

Effective April 1, 2001, Sanyo adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. These standards require a company to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The change in the fair value of a derivative is recognized in earnings in the period of the change or reported as a component of other comprehensive income, depending on the intended use of the derivative and the resulting designation.

As of April 1, 2001, the adoption of these new standards resulted in a cumulative accounting change that reduced net income by ¥1,177 million (US$8,850 thousand), net of tax and minority interests of ¥1,047 million (US$7,872 thousand), and increased accumulated other comprehensive loss by ¥807 million (US$6,067 thousand), net of income taxes and minority interests of ¥3,388 million (US$25,474 thousand).

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." See Note 9 for disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" on the Company's stock options.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 16.

Revenue Recognition

Sanyo recognizes sales when the title has passed to customers, the sales prices are fixed or determinable, and the collectibility is reasonably assured.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Boards ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." This standard requires that goodwill and intangible assets with indefinite useful lives should not be amortized but should be tested at least annually for impairment. Sanyo will adopt the provisions of SFAS No. 142 for existing goodwill and other intangible assets at April 1, 2002, but has not yet determined the effect of adopting SFAS No. 142.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard establishes a standard for accounting obligations associated with retirement of tangible long-lived assets. Sanyo will adopt the new standard at April 1, 2003. Sanyo has not determined the effect of adopting SFAS No. 143.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard addresses financial accounting and reporting for the impairment and disposal of long-lived assets. Sanyo will adopt the new standard at April 1, 2002, but has not yet determined the effect of adopting SFAS No. 144.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This standard requires that gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria defined in APB Opinion No. 30 and that certain lease modifications should be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 are required to be adopted for transactions occurring after May 15, 2002. Adoption of SFAS No. 145 will have no material effect on Sanyo's financial position or results of operations.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2002 represent the arithmetical results of translating yen to dollars on the basis of ¥133=US$1, the approximate effective rate of exchange at March 29, 2002.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥133=US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 2002 included installment receivables of ¥32,553 million ($244,759 thousand) from customers, of which ¥19,615 million ($147,481 thousand) mature after one year.

4 INVENTORIES

Inventories at March 31, 2002 and 2001 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Finished products	**¥220,054**	¥224,961	**$1,654,541**
Work in process	**89,056**	91,757	**669,594**
Raw materials	**95,578**	114,529	**718,632**
	¥404,688	¥431,247	**$3,042,767**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2002 and 2001	**2002**	2001	**2002**
Current assets	**¥153,175**	¥191,742	**$1,151,692**
Noncurrent assets	**87,851**	86,004	**660,534**
Total assets	**241,026**	277,746	**1,812,226**
Current liabilities	**112,254**	136,051	**844,015**
Noncurrent liabilities	**88,564**	102,013	**665,895**
Total liabilities	**200,818**	238,064	**1,509,910**
Net assets	**¥ 40,208**	¥ 39,682	**$ 302,316**
Sanyo's investment in affiliates	**¥ 22,936**	¥ 18,154	**$ 172,451**
Number of affiliated companies at end of fiscal period:			
In Japan	**17**	21	
Outside Japan	**9**	10	

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2002, 2001 and 2000	**2002**	2001	2000	**2002**
Results of operations:				
Net sales	**¥185,996**	¥277,630	¥268,194	**$1,398,466**
Net income	**1,694**	2,760	898	**12,737**
Sanyo's equity in affiliates:				
Net income	**¥ 1,094**	¥ 825	¥ 1,151	**$ 8,226**
Cash dividends	**489**	301	74	**3,677**
Transactions with affiliates:				
Sales to	**¥ 53,570**	¥117,734	¥ 97,021	**$ 402,782**
Purchases from	**37,397**	49,567	62,306	**281,180**

The aggregate carrying amount and market value of investments in affiliates (for which a quoted market price is available) at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Carrying amount	**¥7,894**	¥7,444	**$59,353**
Market value	**6,517**	6,050	**49,000**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) at March 31, 2002 and 2001 are summarized as follows. Also, loss on devaluation of investment securities amounting to ¥22,109 million (US$166,233 thousand) is included in "Other" of other expenses in the consolidated statement of income for the year ended March 31, 2002.

	Millions of Yen							
	2002				2001			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 70,644**	**¥ 70,553**	**¥ 42**	**¥ 133**	¥ 55,439	¥ 54,908	¥ 33	¥ 564
Equity securities	**180,801**	**136,086**	**5,897**	**50,612**	202,522	202,629	25,044	24,937
	¥251,445	**¥206,639**	**¥5,939**	**¥50,745**	¥257,961	¥257,537	¥25,077	¥25,501
Held-to-maturity:								
Debt securities	**5,721**	**5,615**	**6**	**112**	2,013	2,028	15	—
	5,721	**5,615**	**6**	**112**	2,013	2,028	15	—
Total investments in debt and equity securities	**¥257,166**	**¥212,254**	**¥5,945**	**¥50,857**	¥259,974	¥259,565	¥25,092	¥25,501

	Thousands of U.S. Dollars			
	2002			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	**$ 531,158**	**$ 530,474**	**$ 316**	**$ 1,000**
Equity securities	**1,359,406**	**1,023,203**	**44,338**	**380,541**
	$1,890,564	**$1,553,677**	**$44,654**	**$381,541**
Held-to-maturity:				
Debt securities	**43,015**	**42,218**	**45**	**842**
	43,015	**42,218**	**45**	**842**
Total investments in debt and equity securities	**$1,933,579**	**$1,595,895**	**$44,699**	**$382,383**

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2002 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥63,223	¥63,245	¥ 115	¥ 115	$475,361	$475,526	$ 865	$ 865
Due after 1 year through 5 years	4,153	4,024	16	16	31,226	30,256	120	120
Due after 5 years	3,268	3,284	5,590	5,484	24,571	24,692	42,030	41,233
	¥70,644	¥70,553	¥5,721	¥5,615	$531,158	$530,474	$43,015	$42,218

The proceeds from sale of available-for-sale securities for the years ended March 31, 2002, 2001 and 2000 were ¥11,863 million ($89,195 thousand), ¥28,028 million and ¥41,611 million, respectively. The gross realized gains and losses on those sales were ¥3,465 million ($26,053 thousand) and ¥1,377 million ($10,353 thousand), respectively, for the year ended March 31, 2002, ¥7,589 million and ¥7,334 million, respectively, for the year ended March 31, 2001 and ¥15,008 million and ¥6,522 million, respectively, for the year ended March 31, 2000.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of unused lines of credit was approximately ¥840,000 million ($6,315,789 thousand) at March 31, 2002.

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Short-term bank loans with interest ranging from 0% to 7.225% and from 0.28% to 7.90% at March 31, 2002 and March 31, 2001, respectively	**¥414,410**	¥396,415	**$3,115,865**
Commercial paper with interest ranging from 0.05% to 2.199% and from 0.08% to 5.41% at March 31, 2002 and March 31, 2001, respectively	**50,065**	41,168	**376,428**
	¥464,475	¥437,583	**$3,492,293**

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Loans, principally from banks and insurance companies, due 2002 to 2015 with interest rates ranging from 0% to 13.50% and due 2001 to 2015 with interest rates ranging from 0% to 12.00% at March 31, 2002 and March 31, 2001, respectively:			
Collateralized (a)	**¥ 17,612**	¥ 23,345	**$ 132,421**
Uncollateralized	**363,459**	371,953	**2,732,774**
Uncollateralized convertible yen bonds (b):			
1.7% convertible bonds due November 2002	**5,653**	5,653	**42,504**
1.6% convertible bonds due November 2004	**49,898**	49,898	**375,173**
0.8% convertible bonds due March 2004	**961**	1,166	**7,225**
Uncollateralized euroyen notes (b):			
1.30% notes issued by a consolidated subsidiary due November 2001	**—**	2,141	**—**
Uncollateralized bonds (b):			
3.05% bonds due May 2001	**—**	10,000	**—**
2.40% bonds due June 2001	**—**	20,000	**—**
2.325% bonds due September 2001	**—**	10,000	**—**
2.625% bonds due September 2002	**20,000**	20,000	**150,376**
2.825% bonds due September 2003	**20,000**	20,000	**150,376**
3.10% bonds due May 2007	**20,000**	20,000	**150,376**
3.35% bonds due May 2009	**30,000**	30,000	**225,564**
1.550% bonds due June 2003	**10,000**	10,000	**75,188**
1.925% bonds due June 2005	**20,000**	20,000	**150,376**
2.325% bonds due June 2008	**20,000**	20,000	**150,376**
1.33% bonds due August 2005	**20,000**	20,000	**150,376**
1.82% bonds due August 2007	**30,000**	30,000	**225,564**
2.4% bonds issued by a consolidated subsidiary due June 2005	**5,000**	5,000	**37,594**
0% bonds issued by a consolidated subsidiary due September 2002	**5,000**	5,000	**37,594**
1.75% bonds issued by a consolidated subsidiary due April 2002	**10,000**	10,000	**75,188**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**37,594**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**37,594**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**37,594**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**37,594**
2.42% bonds issued by a consolidated subsidiary due March 2010	**15,000**	15,000	**112,782**
1.07% bonds issued by a consolidated subsidiary due April 2003	**10,000**	10,000	**75,188**
0.80% bonds issued by a consolidated subsidiary due April 2004	**10,000**	—	**75,188**
3.1% bonds issued by a consolidated subsidiary due September 2001 with detachable warrants (c)	**—**	460	**—**
	702,583	749,616	**5,282,579**
Less: amount due within one year	**154,963**	169,791	**1,165,136**
	¥547,620	¥579,825	**$4,117,443**

(a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries.
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.
(c) SANYO Electric Credit Co., Ltd. ("SECR"), a consolidated subsidiary, issued bonds with detachable warrants on September 10, 1997, and, at the same time, acquired all warrants. These warrants were distributed to directors or sold to certain employees of SECR as a benefit.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2002 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥157,924	$1,187,398
2005	129,696	975,158
2006	78,933	593,481
2007	39,868	299,759
2008 and thereafter	141,199	1,061,647
	¥547,620	$4,117,443

Under the terms of the agreements of the convertible debt outstanding at March 31, 2002, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds:*			
1.7% convertible bonds due November 2002	Dec. 1, 2001	100%	¥ 600.00
1.6% convertible bonds due November 2004	Dec. 1, 2001	102%–100%	¥1,036.00
0.8% convertible bonds issued by a consolidated subsidiary due March 2004	Mar. 31, 2004	100%	¥1,381.90

*May be repurchased at any time on the open market

As of March 31, 2002, the number of shares of common stock required to convert all of the convertible debt was 57,586 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). In accordance with the JWPIL, a portion of the government's social security pension program, to which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover twenty percent of the severance indemnities payable.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees with one year of service or more who elect to participate.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated cost of this termination plan, which is not funded.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2002 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥523,116**	¥483,584	**$3,933,203**
Service cost	**20,428**	22,169	**153,594**
Interest cost	**20,699**	19,917	**155,632**
Plan participants' contributions	**4,026**	3,780	**30,271**
Plan amendment	**(4,967)**	(4,602)	**(37,346)**
Actuarial losses	**51,592**	19,373	**387,910**
Benefits paid	**(28,575)**	(21,105)	**(214,850)**
Benefit obligation at end of year	**586,319**	523,116	**4,408,414**
Change in plan assets:			
Fair value of plan assets at beginning of year	**262,250**	268,623	**1,971,804**
Actual return on plan assets	**(14,306)**	(18,468)	**(107,564)**
Employer contributions	**21,908**	20,672	**164,722**
Plan participants' contributions	**4,026**	3,780	**30,271**
Benefits paid	**(13,634)**	(12,357)	**(102,511)**
Fair value of plan assets at end of year	**260,244**	262,250	**1,956,722**
Funded status:			
Benefit obligation in excess of plan assets	**326,075**	260,866	**2,451,692**
Unrecognized net transition obligation at date of adoption	**(3,018)**	(3,842)	**(22,692)**
Unrecognized prior service cost	**12,811**	7,068	**96,323**
Unrecognized actuarial loss	**(221,070)**	(150,227)	**(1,662,180)**
Net amount recognized	**114,798**	113,865	**863,143**
Reconciliation to accrued pension liability:			
Amount included in accumulated other comprehensive income, gross of tax	**119,060**	82,430	**895,188**
Accrued pension liability recognized in the consolidated balance sheets	**¥233,858**	¥196,295	**$1,758,331**

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 2002, 2001, and 2000:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Service cost	**¥20,428**	¥22,169	¥21,176	**$153,594**
Interest cost	**20,699**	19,917	17,345	**155,632**
Expected return on plan assets	**(10,470)**	(11,107)	(8,936)	**(78,722)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**6,195**
Prior service cost	**187**	847	865	**1,406**
Actuarial losses	**6,117**	2,525	775	**45,993**
Net periodic benefit cost	**¥37,785**	¥35,175	¥32,049	**$284,098**

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2002, 2001, and 2000 are as follows:

	2002	2001	2000
Discount rate	**3.0 – 3.5%**	3.0 – 4.0%	4.0%
Long-term rate of salary increase	**2.9%**	3.0%	3.2%
Long-term rate of return on fund assets	**3.0 – 4.0%**	3.0 – 4.0%	4.0%

9 STOCK OPTION PLAN

In May 2000, the Company adopted a stock option plan to provide for grants of options to purchase shares of common stock to all directors and certain key employees of the Company. The options granted are vested over two years and are exercisable over a maximum of two years from July 1, 2003 to June 30, 2005:

The following table summarizes the stock option plan activity for the years ended March 31, 2002 and 2001.

	Options (shares)	
	2002	2001
Balance, at beginning of year	**1,029,000**	—
Granted	**1,029,000**	1,046,000
Exercised	**—**	—
Cancelled	**17,000**	17,000
Balance, at end of year	**2,041,000**	1,029,000
Weighted average exercise price	**¥902 ($6.78)**	¥977

The Company has elected to account for its stock option plan under APB No. 25. Under APB No. 25, no compensation expense is recognized because the option exercise price is equal to the fair market price of the common stock on the date of the grant. Had a compensation expense been determined as prescribed by SFAS No. 123, its impact on the Company's net income for the years ended March 31, 2002 and 2001 would not have been material.

10 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expenses relate to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expenses are not significant. Commitments outstanding at March 31, 2002 for purchase of property, plant and equipment approximated ¥3,319 million ($24,955 thousand).

Contingent liabilities at March 31, 2002 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥2,299 million ($17,286 thousand), ¥100,417 million ($755,015 thousand) and ¥72,389 million ($544,278 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

11 FINANCIAL INSTRUMENTS

Sanyo used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value can not be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2002 and 2001 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2002		2001		**2002**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:						
Liabilities:						
Long-term debt	**¥547,620**	**¥621,801**	¥579,825	¥614,226	**$4,117,443**	**$4,675,195**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

The following table provides contract amounts and fair value information for derivative instruments at March 31, 2001.

	Millions of Yen	
	2001	
	Carrying Amount	Fair Value
Foreign currency exchange:		
Forward contracts to sell ¥65,806 and to buy ¥15,028	—	¥(5,300)
Interest rate swap agreements of ¥357,335 and currency swap agreements of ¥18,899	—	(3,055)

12 DERIVATIVES AND HEDGING

Risk management policy

Sanyo operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. Sanyo's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. Sanyo utilizes certain derivatives to manage its foreign currency and interest risk exposure including forecasted transactions. Sanyo holds derivatives for purposes other than trading.

Foreign currency exchange risk management

Sanyo maintains a foreign-currency risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign forward contracts and foreign currency swaps are not designated and qualified as hedge transactions since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gain or loss arising from denominated net foreign currency assets and liabilities are reported as foreign currency exchange gains or losses in the consolidated statements of income.

Interest rate risk management

Sanyo maintains an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. Sanyo's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible.

Fair value hedges

Sanyo uses interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, Sanyo agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

The fair value of derivatives and changes in the fair value of the underlying hedged items are reported in the balance sheets. Changes in the fair value of these derivatives and underlying hedged items are generally offset and are recorded in each period as an interest expense. There were no transactions that ceased to qualify as fair value hedges for the year ended March 31, 2002.

Cash flow hedges

Sanyo has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

For these cash flow hedge transactions, the fair values of the derivatives are recorded in the balance sheets. The effective portion of changes in the fair values of these derivatives are first recorded in other comprehensive loss and are then reclassified as an interest expense, in the period in which earnings are impacted by the hedged items. There were no transactions that ceased to qualify as cash flow hedges for the year ended March 31, 2002. The ineffective portions recorded as an interest expense in the current period were not material. Assuming that the market rate remains the same as the rate at March 31, 2002, ¥479 million (US$3,602 thousand) loss, included in other comprehensive loss, net of taxes and minority interests of ¥1,137 million (US$8,549 thousand), is expected to be recognized in earnings over the next twelve months. The maximum term over which Sanyo is hedging exposure to the variability of cash flows is nine years.

13 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares (subject in all cases, however, to the remainder being not less than the total par value of such new shares) as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash appropriations of retained earnings be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equals 25% of a company's stated capital. The legal reserve of Sanyo, amounting to ¥34,940 million ($262,707 thousand) and ¥33,977 million, was included in retained earnings at March 31, 2002 and 2001, respectively.

14 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, indicated a statutory income tax rate in Japan of approximately 42% for the years ended March 31, 2002, 2001 and 2000.

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Statutory income tax rate	**42.0%**	42.0%	42.0%
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	**53.6**	(6.6)	(5.0)
Expenses not deductible for tax purposes	**14.3**	0.8	1.5
Tax credits	**(7.5)**	(1.5)	(3.6)
Differences in statutory tax rates of foreign subsidiaries	**(46.6)**	(3.2)	(1.7)
Other	**17.1**	4.0	(4.2)
Effective income tax rate	**72.9%**	35.5%	29.0%

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Deferred income tax assets:			
Accrued pension and severance costs	**¥ 83,629**	¥ 66,209	**$ 628,789**
Accrued expenses	**19,630**	28,051	**147,594**
Operating loss carryforwards	**31,161**	19,769	**234,293**
Inventories	**4,907**	4,801	**36,895**
Allowance for doubtful accounts	**8,264**	6,145	**62,135**
Property, plant and equipment	**7,636**	2,132	**57,414**
Enterprise taxes	**1,036**	1,206	**7,789**
Long-term investments	**31,185**	5,981	**234,474**
Other	**15,325**	8,061	**115,226**
Gross deferred income tax assets	**202,773**	142,355	**1,524,609**
Less, valuation allowance	**(28,028)**	(25,582)	**(210,737)**
Total deferred income tax assets	**174,745**	116,773	**1,313,872**
Deferred income tax liabilities:			
Deferred income	**(7,927)**	(7,000)	**(59,601)**
Deferred expenses	**(506)**	(701)	**(3,805)**
Other	**(1,947)**	(375)	**(14,639)**
Gross deferred income tax liabilities	**(10,380)**	(8,076)	**(78,045)**
Net deferred income tax assets	**¥164,365**	¥108,697	**$1,235,827**

Net changes in the total valuation allowance for the years ended March 31, 2002 and 2001 increased by ¥2,446 million ($18,391 thousand) and ¥114 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 2002 amounted to approximately ¥83,097 million ($624,789 thousand) and are available for offset against future taxable income of such subsidiaries. These will expire mainly in the periods from 2002 through 2018.

15 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2002, 2001 and 2000 were ¥107,044 million ($804,842 thousand), ¥108,842 million and ¥99,599 million, respectively.

16 INCOME PER SHARE

Income per share for the years ended March 31, 2002, 2001 and 2000 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Basic income per share calculation:				
Income (numerator):				
Net income	**¥1,727**	¥42,201	¥21,686	**$12,985**
Shares, thousands (denominator):				
Weighted average number of shares	**1,870,510**	1,871,376	1,889,477	
Basic income per share (yen and U.S. dollars)	**¥ 0.9**	¥ 22.6	¥ 11.5	**$ 0.007**
Diluted income per share calculation:				
Income (numerator):				
Net income	**¥1,727**	¥42,201	¥21,686	**$12,985**
Interest on convertible bonds, net of tax	**—**	517	520	**—**
Adjusted net income	**¥1,727**	¥42,718	¥22,206	**$12,985**
Shares, thousands (denominator):				
Weighted average number of shares	**1,870,510**	1,871,376	1,889,477	
Assumed conversion of convertible bonds	**—**	57,590	57,593	
Adjusted weighted average number of shares	**1,870,510**	1,928,966	1,947,070	
Diluted income per share (yen and U.S. dollars)	**¥ 0.9**	¥ 22.1	¥ 11.4	**$ 0.007**

The calculation of the weighted average number of shares for diluted income per share for the year ended March 31, 2002 did not include incremental shares of 57,586 thousand, from assumed conversions of convertible bonds since their effects were antidilutive.

17 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 2002, 2001, and 2000 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥21,405**	¥24,307	¥27,374	**$160,940**
Income taxes	**27,513**	37,154	6,627	**206,865**
Conversion of convertible bonds issued by a consolidated subsidiary	**205**	502	6,047	**1,541**

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

To the Stockholders and the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2002 and 2001 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2002, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2002 and 2001 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, SANYO Electric Co., Ltd. and Subsidiaries changed the method of accounting for derivative instruments and hedging activities for the year ended March 31, 2002.

PricewaterhouseCoopers

Osaka, Japan
June 7, 2002

CORPORATE DIRECTORY

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 27, 2002)

Executive Directors

Chairman
Satoshi Iue

President
Yukinori Kuwano

Executive Directors
Toshimasa Iue
Yoichiro Furuse

Directors
Corazon C. Aquino
Nobuaki Kumagai
Tomoyo Nonaka
Sadao Kondo
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki

Corporate Executive Auditors

Shigeru Sakata
Ryota Tominaga
Takeshi Inoue

Corporate Auditors

Sotoo Tatsumi
Hiroshi Toda

OFFICERS

(As of June 27, 2002)

Chairman & Chief Executive Officer
Satoshi Iue

President & Chief Operating Officer
Yukinori Kuwano

Executive Vice Presidents
Toshimasa Iue
Yoichiro Furuse

Executive Officers
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki

Senior Officers
Yasusuke Tanaka
Masabumi Kawano
Tadahiko Tanaka
Akira Kan

Officers
Hitoshi Komada
Akiyoshi Takano
Fusao Terada
Satoshi Inoue
Tadao Shimada
Shosaku Kurome
Osamu Kajikawa
Hiroshi Ono
Teruo Tabata
Mitsuru Honma
Shinichi Miki

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2002)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales and Leasing of Electrical and Electronic Products

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Audio Equipment, Information Systems, Electronic Parts, and Home Appliances

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Electric Vending Machine Co., Ltd.*[1]
Principal Business: Sales of Vending Machines

SANYO Electric Air Conditioning Co., Ltd.
Principal Business: Manufacture and Sales of Air Conditioners

SANYO Telecommunications Co., Ltd.
Principal Business: Manufacture, Sales, and Installation of Telecommunication Equipment

SANYO Sales & Marketing Corporation*[2]
Principal Business: Sales, Export and Import of Electrical and Electronic Products

SANYO Electric Commercial Equipment Co., Ltd.
Principal Business: Sales and Installation of Refrigerators/Freezers, and Kitchen Appliances

SANYO Semicon Device Co., Ltd.
Principal Business: Sales of Semiconductors

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

*[1] All stocks of SANYO Electric Vending Machine Co., Ltd. were transferred to Fuji Electric Co., Ltd. on April 1, 2002.
*[2] SANYO Life Electronics Co., Ltd. and SANYO Electric Trading Co., Ltd. merged on October 1, 2001, to become SANYO Sales & Marketing Corporation.

(Sanyo has a total of 123 consolidated subsidiaries—61 in Japan and 62 overseas.)

PRINCIPAL SANYO OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of April 1, 2002)

● Manufacturing Companies
■ Sales Companies
◆ Other Companies

Multimedia Company

● SANYO Manufacturing Corporation, *Forrest City, Arkansas, U.S.A.*
● SANYO Information Systems Corporation, *San Diego, California, U.S.A.*
● SANYO Laser Products, Inc., *Richmond, Indiana, U.S.A.*
● SANYO Industries (U.K.) Limited, *Lowestoft, United Kingdom*
● SANYO España, S.A., *Barcelona, Spain*
● Korea TT Co., Ltd., *Masan, Korea*
● Korea Tokyo Electronic Co., Ltd., *Masan, Korea*
● Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen, China*
● Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin, China*
● Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang, China*
● SANYO Optronics (Hong Kong) Company Limited, *Hong Kong*
● FMS Audio Sdn. Bhd., *Penang, Malaysia*
● SANYO Pt (M) Sdn. Bhd., *Johor, Malaysia*
● P.T. SANYO Electronics Indonesia, *Bekasi, Indonesia*
● BPL SANYO Limited, *Bangalore, India*
■ SANYO FISHER Vertriebs GmbH, *München, Germany*
◆ SANYO Manufacturing S.A. de C.V., *Tijuana, Mexico*
◆ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen, China*
◆ SANYO Digital Design (Shenzhen) Limited, *Shenzhen, China*
◆ Guangdong Huaqiang SANYO Group Co., Ltd., *Dongguang, China*

Home Appliances Company

● SANYO E & E Corporation, *San Diego, California, U.S.A.*
● SANYO Gallenkamp PLC, *Loughborough, United Kingdom*
● SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou, China*
● Suzhou SANYO Electro-Mechanical Co., Ltd., *Suzhou, China*
● Hefei Rongshida SANYO Electric Co., Ltd., *Hefei, China*
● SANYO Electric (Taiwan) Co., Ltd., *Taiwan*
● SANYO (Philippines), Inc., *Metro Manila, Philippines*
● SANYO Universal Electric Public Co., Ltd., *Bangkok, Thailand*
● SANYO Industries (Singapore) Private Limited, *Singapore*
● P.T. SANYO Industries Indonesia, *Jakarta, Indonesia*
● SANYO Home Appliance Vietnam Corporation, *Bien Hoa, Vietnam*
■ SANYO Gallenkamp B.V., *Breda, Netherlands*
◆ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Shanghai, China*
◆ Beijing SANYO Cleaning Co., Ltd., *Beijing, China*
◆ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian, China*

Commercial Equipment Systems Company

● Dalian SANYO Cold-Chain Co., Ltd., *Dalian, China*
● Dalian SANYO Food Systems Co., Ltd., *Dalian, China*
● Dalian Bingshan Metal Processing Co., Ltd., *Dalian, China*
■ SANYO Commercial Refrigeration International Co., Ltd., *Hong Kong*

■ SANYO SMI Thailand Co., Ltd., *Bangkok, Thailand*
◆ Shanghai Hualeng (Refrigeration) Engineering, *Shanghai, China*
◆ Nissei SANYO Hitech Service Pte., Ltd., *Singapore*

Semiconductor Company

● Korea Tokyo Silicon Co., Ltd., *Masan, Korea*
● SANYO Semiconductor (Shekou) Ltd., *Shenzhen, China*
● Dalian Meica Electronics Co., Ltd., *Dalian, China*
● SANYO Semiconductor Electronics (H.K.) Co., Ltd., *Hong Kong*
● SANYO Electronic (Taichung) Co., Ltd., *Taiwan*
● SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac, Philippines*
● SANYO Semiconductor (Thailand) Co., Ltd., *Utai, Thailand*
● Meica Technology (Vietnam) Co., Ltd., *Ho Chi Minh City, Vietnam*
■ SANYO Semiconductor Corporation, *Allendale, New Jersey, U.S.A.*
■ SANYO Semiconductor Distribution (USA) Corporation, *Norwood, New Jersey, U.S.A.*
■ SANYO Semiconductor (Europe) GmbH, *Schwalbach, Germany*
■ SANYO Semiconductor (H.K.) Co., Ltd., *Hong Kong*
■ O.S. Electronics (H.K.) Ltd., *Hong Kong*
■ SANYO Semiconductor Taipei Co., Ltd., *Taiwan*
■ O.S. Semiconductor Co., Ltd., *Taiwan*
■ SANYO Semiconductor (S) Pte., Ltd., *Singapore*
■ O.S. Electronics (S) Pte., Ltd., *Singapore*
◆ SSMP Estate Corporation, *Tarlac, Philippines*
◆ SANYO LSI Technology India Private Limited, *Bangalore, India*

Soft Energy Company

● SANYO Energy (U.S.A.) Corporation, *San Diego, California, U.S.A.*
● Solec International, Inc., *Carson, California, U.S.A.*
● SANYO Energy (Texas) Co., Ltd., *Dallas, Texas, U.S.A.*
● SANYO Energy (Europe) Corporate GmbH, *München, Germany*
■ SANYO Energy (UK) Company Limited, *Hemel Hempstead, United Kingdom*
● SANYO Hungary Kft., *Dörög, Hungary*
● Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen, China*
● Tianjin Lantain SANYO Energy Co., Ltd., *Tianjin, China*
● SANYO Energy (Suzhou) Co., Ltd., *Suzhou, China*
● SANYO Energy (Beijing) Co., Ltd., *Beijing, China*
● SANYO Energy (Hong Kong) Company Limited, *Hong Kong*
● SANYO Energy (Taiwan) Co., Ltd., *Taiwan*
● P.T. SANYO Energy (Batam) Corporate, *Batam Island, Indonesia*
■ SANYO Energy (Singapore) Corporation Pte., Ltd., *Singapore*
◆ SANYO Energy (California) Corporation, *San Diego, California, U.S.A.*

Compressors & Systems Division

● MABE SANYO Compressors S.A. de C.V., *Sanluis Potosí, Mexico*
● Dalian SANYO Compressor Co., Ltd., *Dalian, China*
● Sanwa Electric Philippines, Inc., *Cavite, Philippines*
● P.T. SANYO Compressor Indonesia, *Bekasi, Indonesia*
● P.T. Java Indah Casting, *Bekasi, Indonesia*
◆ Sanwa Estate Philippines, Inc., *Cavite, Philippines*

Head Office (SANYO Electric Co., Ltd.)

◆ SANYO Electric (China) Co., Ltd., *Beijing, China*
◆ SANYO North America Corporation, *San Diego, California, U.S.A.*
■ SANYO Canada Inc., *Concord, Ontario, Canada*
◆ SANYO Logistics Corporation, *Torrance, California, U.S.A.*
◆ SANYO FISHER Service Corporation, *Chatsworth, California, U.S.A.*
◆ Three Oceans Inc., *New York, New York, U.S.A.*
◆ SANYO Customs Brokerage, Inc., *San Diego, California, U.S.A.*
◆ SIA Electronica de Baja California, S.A. de C.V., *Tijuana, Mexico*
◆ SANYO Customs Brokerage S.A. de C.V., *Tijuana, Mexico*
◆ SANYO Electric (Hong Kong) Limited, *Hong Kong*
◆ BPL SANYO Finance Limited, *Bangalore, India*
◆ SANYO Asia Pte., Ltd., *Singapore*
◆ SANYO Europe Ltd., *Watford, United Kingdom*
◆ SANYO Electric Finance (USA) Corporation, *New York, New York, U.S.A.*
◆ SANYO Electric International Finance (UK) PLC, *Watford, United Kingdom*
◆ SANYO Electric Finance Netherlands B.V., *Amsterdam, Netherlands*

Tottori SANYO Electric Co., Ltd.

● Dalian SANYO Home Appliance Co., Ltd., *Dalian, China*
● Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen, China*
● Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou, China*
● Tottori SANYO Electric (Hong Kong) Limited, *Hong Kong*
● Tottori SANYO Electric (Philippines) Corporation, *Cavite, Philippines*
● SANYO Electric (Penang) Sdn. Bhd., *Penang, Malaysia*
◆ Tottori SANYO Electric Philippines Estate Corporation, *Cavite, Philippines*

SANYO Sales & Marketing Corporation

● NEWSAN S.A., *Buenos Aires, Argentina*
● SANYO da Amazônia S.A., *Manaus, Brazil*
● Ghana SANYO Company Limited, *Tema, Ghana*
■ SANYO Büro-Electronic Europa-Vertrieb GmbH, *München, Germany*
■ SANYO Speachtek Limited, *Watford, United Kingdom*
■ SANYO Airconditioners Europe S.r.l., *Milano, Italy*
■ SANYO Portugal Electronica S.A., *Rio de Mouro, Portugal*
■ SANYO Electric International Trading Co., Ltd., *Shanghai, China*
■ SANYO Electronics (H.K.) Limited, *Hong Kong*
■ SANYO (Thailand) Co., Ltd., *Bangkok, Thailand*
■ SANYO Sales and Service Sdn. Bhd., *Petaling Jaya, Malaysia*
■ SANYO Airconditioners (Singapore) Pte., Ltd., *Singapore*
■ SANYO Malaysia Sdn. Bhd., *Singapore*
■ SANYO Australia Pty. Ltd., *Sydney, N.S.W., Australia*
■ SANYO ARMCO (Kenya) Limited, *Nairobi, Kenya*
■ SANYO South Africa (Pty) Ltd., *Sandton, South Africa*
◆ SANYO E.T. Canada Inc., *Concord, Ontario, Canada*
◆ SANYO Canada Holdings 1990 Inc., *Concord, Ontario, Canada*
◆ Sanelco S.A., *Ushuaia, Argentina*
◆ SANYO do Brasil Participacões e Empreendimentos S/C Ltda., *São Paulo, Brazil*
◆ SANYO Electric Service (Europe) Ag., *Basel, Switzerland*

SANYO Electronic Components Co., Ltd.

● SANYO Video Components (U.S.A.) Corporation, *San Diego, California, U.S.A.*
● SANYO Electric (Shekou) Ltd., *Shenzhen, China*
● Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang, China*
● SANYO Capacitor (Philippines) Corporation, *Tarlac, Philippines*
● SANYO Precision Singapore Pte., Ltd., *Singapore*
● P.T. SANYO Jaya Components Indonesia, *Bogor, West Java, Indonesia*
■ SANYO Electronic Components (HK) Ltd., *Hong Kong*
■ SANYO Electronic Components (Singapore) Private Limited, *Singapore*
◆ P.T. SANYO Precision Batam, *Batam Island, Indonesia*

SANYO Electric Air Conditioning Co., Ltd.

● SANYO Argo Clima S.r.l., *Gallarate, Italy*
● Dalian SANYO Refrigeration Co., Ltd., *Dalian, China*
● Guangdong SANYO Air Conditioner Co., Ltd., *Foshan, China*
● Dalian SANYO Air Conditioner Co., Ltd., *Dalian, China*
● Shenyang SANYO Airconditioner Co., Ltd., *Shenyang, China*
● Dalian Honjo Chemical Corporation, *Dalian, China*
● SANYO Airconditioners Manufacturing Singapore Pte., Ltd., *Singapore*

INVESTOR INFORMATION

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: (06) 6991-1181
Facsimile: (06) 6991-6566 (Corporate Strategy Staff)

U.S. CONTACT ADDRESS
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154, U.S.A.
Telephone: (619) 661-1134
Facsimile: (619) 661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2002)
Authorized: 4,921,196,000 shares Issued: 1,872,334,767 shares

CAPITAL (As of March 31, 2002)
¥172,241,294,483

NUMBER OF STOCKHOLDERS (As of March 31, 2002)
183,764

LISTINGS
Common stock is listed on the Tokyo, Osaka, and three other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 2002, 2001, and 2000 were as follows:

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	High	**Low**	High	Low	High	Low
First quarter	**¥847**	**¥717**	¥ 966	¥616	¥510	¥385
Second quarter	**791**	**418**	990	744	567	445
Third quarter	**706**	**435**	1,060	810	560	385
Fourth quarter	**680**	**467**	996	632	694	410

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 2002, 2001, and 2000 were as follows:

2002-II	**2002-I**	2001-II	2001-I	2000-II	2000-I
¥3.00	**¥3.00**	¥3.00	¥3.00	¥2.50	¥2.50

For further information and additional copies of our annual report and other publications, please write to Corporate Strategy Staff at our Head Office.

SANYO Electric Co., Ltd.

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EXHIBIT K

SANYO

ANNUAL REPORT 2003

For the year ended March 31, 2003

SANYO Electric Co., Ltd.

PROFILE

SANYO Electric Co., Ltd., was incorporated in 1950. The firm manufactures a broad range of electronic products grouped into six segments: AV/Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others. Sanyo's net sales for the year ended March 31, 2003 (fiscal 2003), amounted to ¥2,182.6 billion (US$18,188 million).

The name Sanyo means "three oceans"—specifically, the Pacific, Atlantic, and Indian Oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly international, comprising 84 manufacturing companies, 37 sales companies, and 39 other companies around the globe.

Sanyo's strategic business foci are on the Digital & Devices and Environment fields. Committed to solving environmental issues, the Company has made the development of technologies with minimal burden on the environment an area of strength. It emphasizes such technologies as clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. Notably, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries.

In the Digital & Devices field, Sanyo seeks to become a multimedia device powerhouse by developing pioneering technologies to help drive the digital revolution. The Company's digital cameras, liquid crystal display (LCD) projectors, and cellular and Personal Handyphone System (PHS) phones are highly acclaimed.

CONTENTS

◆ ***Cover story:***

Solar Ark, at the SANYO Gifu Plant, is a large-scale 630 kW photovoltaic power generating system that demonstrates SANYO's commitment to harmony with the global environment through clean energy. Solar Lab, a solar energy museum in the center of the structure, is open to the public.

(Solar Ark contains 5,046 solar cell modules and generates a maximum output of 630 kW. The annual output is estimated to be approximately 530 thousand kilowatt-hours. Carbon dioxide reduction amounts to 95 tC/year. Solar Ark measures 315 meters in length and weighs 3,000 metric tons.)

Notice Related to Future Outlook

All statements in this annual report other than past factual matters represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in the light of currently available information. Therefore, Sanyo does not guarantee the accuracy and reliability of information it receives and asks that you do not rely on this information alone.

There are various risks and uncertainties related to factors causing changes in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets as well as changes in consumption in businesses in which Sanyo engages; 2) the effects of changes in the exchange rates between the yen and the dollar as well as the yen and other currencies on Sanyo's international business activities; 3) various trade restrictions in the markets of each country; and 4) Sanyo's ability to provide new technologies, new products, and new services amid rapid technological innovation in information technology (IT), market competition, and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to these factors and that there are other factors that contain latent risks and uncertainties.

In this annual report, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

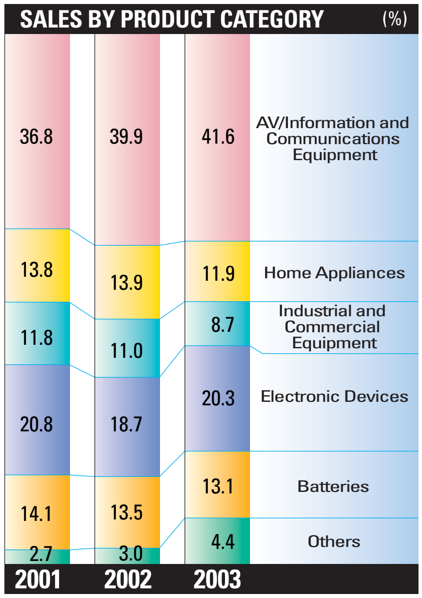
FINANCIAL HIGHLIGHTS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note a)
	2003	2002	2001	**2003**
Net sales	**¥2,182,553**	¥2,024,719	¥2,157,318	**$18,187,942**
Operating income	**78,299**	53,074	106,591	**652,499**
Net (loss) income	**(72,817)**	1,727	42,201	**(606,808)**
Total stockholders' equity	**481,192**	602,175	652,322	**4,009,933**
Total assets	**2,744,526**	2,749,709	2,945,274	**22,871,050**
	Yen			U.S. Dollars (Note a)
Per share (Note b):				
Net (loss) income:				
Basic	**¥ (39.1)**	¥ 0.9	¥ 22.6	**$(0.326)**
Diluted	**—**	0.9	22.1	**—**
Cash dividends declared	**6.0**	6.0	6.0	**0.050**
Per American Depositary Share (Notes b and c):				
Net (loss) income:				
Basic	**¥ (195.5)**	¥ 4.5	¥113.0	**$(1.629)**
Diluted	**—**	4.5	110.5	**—**
Cash dividends declared	**30.0**	30.0	30.0	**0.250**

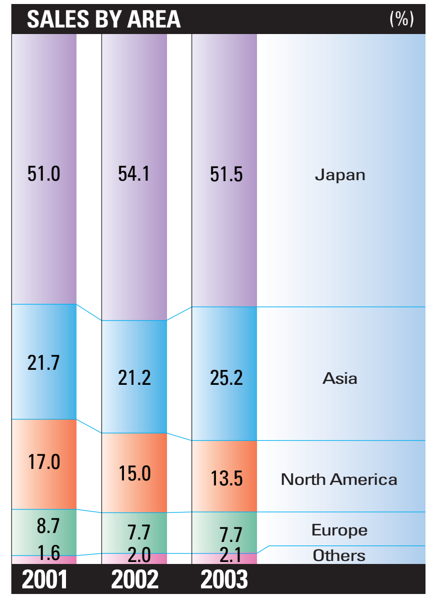
Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2003. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 16 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)



Note: This graph shows figures of sales to external customers only.

SALES BY AREA (%)



Note: This graph shows figures of sales to external customers only, according to the geographic regions of customers.

During the fiscal year under review, we made further progress toward the goals of our medium-term business plan *Challenge 21*. That plan, which we implemented in April 2001, proceeds with the reform of our business structure based on the principles of selectivity and focus. As a result, our consolidated net sales climbed 7.8%, to ¥2,182.6 billion (US$18,188 million), and operating income rose 47.5%, to ¥78.3 billion (US$652 million). We regret to report, however, that Sanyo posted a net loss of ¥72.8 billion (US$607 million) on the year.

This loss–the largest in our history–occurred primarily because of loss and devaluation on investment securities of ¥78.2 billion (US$652 million) and devaluation and disposal of investments and bad debts of certain consolidated subsidiaries of ¥30.4 billion (US$254 million). We wish to point out that these extraordinary losses are a one-time occurrence. Based on the continued pursuit of its medium-term business plan and the fundamental reform of its business organization and systems that commenced in April 2003, the Sanyo Group expects to achieve a recovery in performance in the fiscal year ahead and beyond.

PERFORMANCE

In fiscal 2003, ended March 31, 2003, the global economy was strongly affected by conditions in the United States. Although U.S. consumer spending was reasonably firm, the U.S. economy started to slow in the second half, reflecting rising concern over the growing possibility of war with Iraq. The effect of this slowdown was felt by the economies of Asia and Europe.

In Japan, the economy remained stalled. It was weighted down by weak private-sector capital investment in response to deteriorating corporate performances, concern over the troubled financial system, stagnant personal consumption in the face of rising unemployment and layoffs, and a stock market slump. Japanese companies, moreover, had to contend with the growing competitiveness of products from the People's Republic of China and the Republic of Korea, creating an extremely difficult business climate.

As noted previously, consolidated net sales grew 7.8%, or ¥157.8 billion, to ¥2,182.6 billion (US$18,188 million). Of this amount, domestic sales increased 2.5%, or ¥27.9 billion, to ¥1,123.6 billion (US$9,363 million). Overseas sales advanced 14.0%, or ¥129.9 billion, to ¥1,059.0 billion (US$8,825 million), rising above ¥100.0 billion for the first time.

Sales by our AV/Information and Communications Equipment segment increased 12.4%, to ¥907.4 billion (US$7,561 million), supported by strong sales of optical pickups, cellular and PHS phones, and digital cameras. Conversely, despite growth in washing machine sales, sales by the Home Appliances segment sank 7.8%, to ¥258.7 billion (US$2,156 million), because of continued weak markets for microwave ovens, refrigerators, and air conditioners. Our Industrial and Commercial Equipment segment sales likewise decreased, 15.1%, to ¥189.9 billion (US$1,583 million), because of the impact of the sale of our vending machine business in April 2002 and despite gains in showcase sales.

Sales by our Electronic Devices segment, however, jumped 17.1%, to ¥444.0 billion (US$3,700 million), thanks to the ongoing recovery in the LCD, semiconductor, and electronic component markets. Our Batteries segment registered sales of ¥286.4 billion (US$2,387 million), up 4.6%, reflecting the recovery in demand for cellular and PHS phones and personal computers. Sales by our Others segment leapt 59.5%, to ¥96.2 billion (US$801 million). The acquisition of Kubota House Co., Ltd., in April 2002 contributed significantly to the segment's surge in performance.

Consolidated operating income increased 47.5%, or ¥25.2 billion, to ¥78.3 billion (US$652 million). An evaluation loss on investment securities caused by the slump in the stock market and job change support expenses related to our early retirement program resulted in income before income taxes and minority earnings falling to ¥84.9 million (US$707 million). Regrettably, extraordinary losses put further pressure on the bottom line, which dropped ¥74.5 billion from the previous fiscal year, for a loss of ¥72.8 billion (US$607 million).

Our cash flow for the fiscal year saw net cash provided by operating activities amount to ¥131.8 billion (US$1,098 million), up ¥0.8 billion, while cash used in investing activities amounted to ¥61.6 billion (US$514 million), down ¥88.8 billion year

on year. Net cash used in financing activities declined ¥47.5 billion, to ¥7.2 billion (US$60 million). Cash and cash equivalents at year-end rose ¥60.1 billion, to ¥319.8 billion (US$2,665 million). Our capital investments, of ¥97.5 billion (US$813 million), were principally focused on our Batteries segment and on the semiconductor operations of our Electronic Devices segment.

Capital investment remained within the scope of depreciation and amortization expenses, which totaled ¥124.8 billion (US$1,040 million) for the fiscal year. This balance will continue in the fiscal year ahead, in which we plan to increase capital investments approximately 10%. Our R&D expenses for the year under review totaled ¥120.8 billion (US$1,007 million), which accounted for 5.5% of net sales, and were mainly concentrated in our Digital & Devices and Energy & Ecology fields.

Following our payment of an interim dividend of ¥3.00 (US$0.025) per share, the board of directors decided in a meeting held on June 27, 2003, to pay a year-end dividend of an equal amount, resulting in annual cash dividends for the fiscal year under review of ¥6.00 (US$0.050) per share.

Satoshi Iue, Chairman & Chief Executive Officer (left), *and Yukinori Kuwano, President & Chief Operating Officer*

PROGRESS WITH *CHALLENGE 21* AND THE MAJOR INNOVATIVE REFORMS OF OUR BUSINESS STRUCTURE AND SYSTEMS

During the fiscal year under review, we made steady progress toward the goals of *Challenge 21*, the three-year medium-term business plan that we launched in April 2001. Our acquisition of 51% of the shares of GS-Melcotec Co., Ltd., a subsidiary of Japan Storage Battery Co., Ltd., and our capital tie-up with NTT DATA Corporation, reveal our aim of achieving results through strategies to expand our business scope and to be selective and focused in investing our resources. And in moving forward with structural reforms centered on our Home Appliances business, we transferred, among other measures, the production of our home-use air conditioners to China.

Our plans to reduce inventory assets also met with success. Inventories were down ¥63.5 billion compared with the previous fiscal year and ¥26.6 billion from two years ago. Among other cost reductions, we cut our interest-bearing debt by ¥23.1 billion year on year and by ¥43.3 billion compared with two years ago. At fiscal year-end, interest-bearing debt stood at approximately ¥1,100.0 billion.

Effective April 1, 2003, we initiated a fundamental, groupwide reform of our business organization. First, we formed four business groups around core customer bases. Second, we divided those four groups into business units (BUs). Each BU is guided by, motivated to achieve, and evaluated on attaining clear and specific goals. This major reform of our organization has allowed us to set the overall goals of the Sanyo Group for the fiscal year ending March 2006: consolidated operating income of ¥160 billion and a ¥300 billion reduction in interest-bearing debt. We are already advancing toward those goals.

However, reaching those goals requires a new business model. Our ultimate aim is to be one of the world's top companies, leading global markets based on our advanced technology. Toward that goal, we are targeting a basic reform of our financial structure, reinforcing our earnings base by improving the efficiency of our capital investments, and developing multiple businesses that are No. 1 in their markets. These efforts are covered in detail in the next section of this report in the hope of furthering our stockholders' and business partners' understanding and support of them.

STANCE ON CORPORATE GOVERNANCE AND ITS IMPLEMENTATION

We began introducing reforms in 1999 to speed up our business decision making and to make our management more transparent. They included adding outside directors to our board and initiating an executive officer system.

In June 2002, we added more outside directors to the board, bringing their number to three. Our board of directors also comprises six committees: the Internal Monitoring, Director and Auditor Nomination, Director and Auditor Compensation, Business Strategy, and Internal Administration Committees. And our outside directors or outside experts are members of each committee, which works to improve our business efficiency and to strengthen and broaden the scope of our corporate governance.

In future, we plan to introduce a holding company organization to the Sanyo Group that should contribute further improvements to our operations. We are also upgrading and speeding up our disclosure and began reporting on a quarterly basis during the fiscal year under review.

PERSPECTIVES

Japan's economy is expected to remain directionless throughout the fiscal year ahead. It will be buffeted by the slowdown in the U.S. economy and by the effect of the war in Iraq on its stock markets. In addition, business conditions are anticipated to be even tougher amid intensifying global competition.

The Sanyo Group will target a shift from the manufacturing industry to the idea-generation industry. In so doing, it will press ahead with fundamental reforms of all aspects of Group management to convert to 21st-century business organizations and systems.

Our new management system will accelerate our development of proprietary technology. As the origin of business competitiveness, proprietary technology can only propel our development of more products and services that hold top market shares. We also plan to expand our businesses by strengthening our partnerships with the same companies with which we pursue a friendly rivalry. The combination of these strategies will push us toward expanded profits and maximized corporate worth.

Shown on the cover of this annual report is the same Solar Ark large-scale photovoltaic power generating system that was featured on last year's annual report. With this monument to the environment as our symbol, we intend to communicate our environmental stance and technical capabilities to the world and to work as a Group to boost worldwide recognition of our corporate brand.

July 2003

Satoshi Iue
Chairman & Chief Executive Officer

Yukinori Kuwano
President & Chief Operating Officer

Sweeping Reforms Target

"Excellent Company"

Standards

— SANYO SHIFTS TO NEW BUSINESS MODEL —

Purpose of Organizational Reform

• Fundamentally reform financial structure.

• Improve ROI, and strengthen profit base.

• Develop businesses that are No. 1 in their markets.

MAIN FEATURES

Sanyo initiated major organizational and system reforms in April 2003. They are part of a reform strategy that got under way with the introduction of the business group company system in 1999. They will end with the imminent establishment of a holding company structure.

These reforms are premised on enabling each business unit. Each unit must be aggressive, must develop a close working relationship with customers, and must take individual responsibility for its profitability as it develops into an autonomous company. Business units are being given complete responsibility and total authority for their respective business fields.

PRINCIPAL MEASURES INTRODUCED BY REFORMS

◆ New customer-oriented business group organization
◆ Small and efficient head office
◆ Sanyo business unit (SBU) system
◆ New management and personnel evaluation systems

Under the new management structure, Sanyo's chairman, Satoshi Iue, is the chief executive officer (CEO) and is responsible for unifying the activities of the Sanyo Group. President Yukinori Kuwano is the chief operating officer (COO), Executive Vice President Toshimasa Iue is the chief marketing officer (CMO), and Executive Vice President Yoichiro Furuse is the chief financial officer (CFO). Top management is committed to achieving the management goals of the Sanyo Group set for the fiscal year ending March 2006.

HEAD OFFICE REORGANIZATION AIMS AT BEING SMALL AND EFFICIENT

Chairman & CEO: Satoshi Iue

- Strategy Headquarters
  - Officer Staff Unit
  - Internal Audit Unit
  - Strategy Unit
  - Corporate Communications Unit
  - Asset Management Unit

President & COO: Yukinori Kuwano
Executive Vice President & CMO: Toshimasa Iue
Executive Vice President & CFO: Yoichiro Furuse

- Operating Division Staff
  - Accounting Unit
  - Management Control Unit
  - Legal Compliance Unit
  - Corporate External Relations Unit
  - Material Sourcing Unit
  - Human Resources Unit
  - Regional Administration Unit
  - Health Management Unit
  - IT-ERP Promotion Unit
  - Quality, CS & Environment Unit
  - Intellectual Property Unit
- Technology R&D Headquarters
- Government & Institutional Market Development Headquarters
- SANYO North America Corporation
- SANYO Electric (China) Co., Ltd.
- SANYO Asia Pte., Ltd.
- SANYO Europe Ltd.

Consumer Group — **CEO: Yukinori Kuwano**, **COO: Eiji Kotobuki**

- Strategy Headquarters—Consumer Business
- AV Solutions Company
- DI Solutions Company
- Telecom Company
- Life Solutions Company
- Amenity Solutions Company
- Sales & Marketing Headquarters—Consumer Business

Commercial Group — **CEO: Toshimasa Iue**, **COO: Hiromoto Sekino**

- Strategy Headquarters—Commercial Business
- Industrial Equipment Company
- Technology R&D Headquarters—Commercial Business
- Sales & Marketing Headquarters—Commercial Business

Component Group — **CEO: Toshimasa Iue**, **COO: Tadahiko Tanaka**

- Strategy Headquarters—Components Business
- Semiconductor Company
- Display Company
- Mobile Energy Company
- Clean Energy Company
- Electronic Device Company

Service Group — **CEO: Yoichiro Furuse**

- Strategy Headquarters—Service Business
- New Business Development Headquarters
- SANYO Homes Corporation
- SANYO Sales & Marketing Corporation
- SANYO Electric Logistics Co., Ltd.
- SANYO Investment Corporation
- SANYO Electric Credit Co., Ltd.
- NTT DATA SANYO System Corporation

With our planned conversion to a holding company structure in mind, we have reorganized our head office into a Strategy Headquarters Division and Operating Division Staff and further divided these divisions into business units. The Strategy Headquarters Division will eventually be transferred to the holding company, and the Staff Division will be divided up among the entities of the Sanyo Group, primarily the business companies.

In reorganizing its R&D structure, Sanyo is considering establishing R&D companies and transferring resources to business companies. Sanyo also will look at transferring its sales development functions to various business groups. Overseas business development strategies, too, will be transferred to business groups, with the function and role of the resulting new sections to be determined by region in accordance with the trend to greater autonomy and responsibility.

The new management structure is customer oriented. It is divided into four business groups: Consumer, Commercial, Component, and Service. Each of the business groups has a CEO in charge of overall management and a COO in charge of daily operations. Under the umbrella of each business group, in-house or independent companies pursue business in their own fields of responsibility. Each of the business groups has a strategic headquarters to horizontally integrate planning and administration. In addition, the Consumer and Commercial Groups have sales headquarters to enable powerful sales activities. Sanyo has formed a total of approximately 280 SBUs throughout the Sanyo Group.

Consumer Group

— Products aimed at the general consumer

The Consumer Group will work to further strengthen top-selling products in global markets, such as digital cameras and LCD projectors, and No. 1 ranking products in the domestic market, such as CDMA-format cellular phones.

The group will apply the same principle of selective and focused investment of resources to its home appliances as it has to multimedia products. In Japan, the group will concentrate on high-value-added products that anticipate customer needs, such as its Top-Open Drum washer-dryer unit. The manufacturing of products that must be cost-competitive, such as home-use air conditioners, will be shifted overseas.

Commercial Group

— Products and systems for businesses

The Commercial Group will take advantage of Sanyo's position as the market leader in Japan for supermarket showcases, package air conditioners, and other industrial and commercial equipment. It will expand sales overseas, particularly into China and other Asian countries. In Japan, meanwhile, the group plans to increase its prices by adding to its products such high-value-added features as food safety, environment protection, and energy conservation. Among its businesses, sales of industrial equipment and systems, such as supermarket showcases and package air conditioners, are expected to grow. The group also is focusing its energies on bio-related and nursing care equipment.

Strategy Headquarters—Commercial Business
Industrial Equipment Company
Technology R&D Headquarters—Commercial Business
Sales & Marketing Headquarters—Commercial Business

Strategy Headquarters—Consumer Business
AV Solutions Company
DI Solutions Company
Telecom Company
Life Solutions Company
Amenity Solutions Company
Sales & Marketing Headquarters—Consumer Business

Commercial Group

Consumer Group

Fiscal 2003 to Fiscal 2006 Management Goals

Based on its innovative reforms, the Sanyo Group is targeting ¥3 trillion in consolidated net sales and ¥160 billion in operating income in the fiscal year ending March 2006. The Group anticipates firm growth in the market-leading products of its Consumer Business Group, and the overseas market for Sanyo's products overall also is expected to expand. Behind these expectations lies the strong potential for growth in rechargeable batteries and environmental-related equipment.

Improved profitability should allow the Group to reduce its interest-bearing debt. We foresee a reduction from the current ¥1.1 trillion to ¥780 billion by the end of fiscal 2006.

GROUPS ORGANIZED BY CUSTOMER BASES

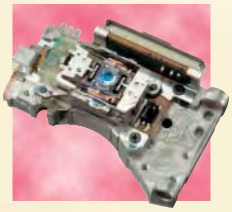
The main advantage of the business group system is that all of the customers' needs can be served through one sales interface. This system also facilitates comprehensive system proposals by Sanyo and combines Sanyo's technologies and products more than ever by lumping together product development fields.

Component Group

— Small rechargeable batteries, semiconductors, OELDs, LCDs, and other electronic components for manufacturers

By further refining the technologies of its global No. 1 products—small rechargeable batteries, optical pickups, and POSCAP™—the Component Group will establish an unshakable dominance for those products in their markets. To that end, the group is working to devise a business-to-business (B2B) business model to be used with other global companies. The group also will target the top spot in global markets for such core products as charge-coupled devices (CCDs) and organic light-emitting diodes (OELDs) that demonstrate its technological superiority. Achieving this goal could enable Sanyo to become the major global supplier of all electronic components, including batteries, OELDs, ICs, and CCDs, for the cellular phone industry.





Service Group

— Sanyo Group logistics, financial, and service businesses centralization, utilizing the Group's resources for the expansion of its earnings base

Sanyo's logistic services actively promote the sales of the products of the Sanyo Group overseas. At the same time, through such projects as our joint development project with Haier Group Company, China's biggest consumer electronics manufacturer, our logistics services aim to correctly develop domestic and overseas markets, businesses that customers wish to start, and products. The Service Group is strengthening its logistics business through third-party logistics (3PL) business and other measures. Aiming to achieve synergies between financial services and Sanyo's manufacturing know-how, the group also is reinforcing its insurance and other financial services. Among other services, the group is promoting new housing concepts in its housing services, such as houses that harmonize with the environment and houses that incorporate information technology, augmenting its software services through business alliances.


Strategy Headquarters—Components Business
Semiconductor Company
Display Company
Mobile Energy Company
Clean Energy Company
Electronic Device Company

Strategy Headquarters—Service Business
New Business Development Headquarters
SANYO Homes Corporation
SANYO Sales & Marketing Corporation
SANYO Electric Logistics Co., Ltd.
SANYO Investment Corporation
SANYO Electric Credit Co., Ltd.
NTT DATA SANYO System Corporation

Component Group

Service Group

Operating Income
¥78 Billion → ¥160 Billion

Net Income
¥(72) Billion → ¥90 Billion

Interest-Bearing Debt
¥1.1 Trillion → ¥780 Billion

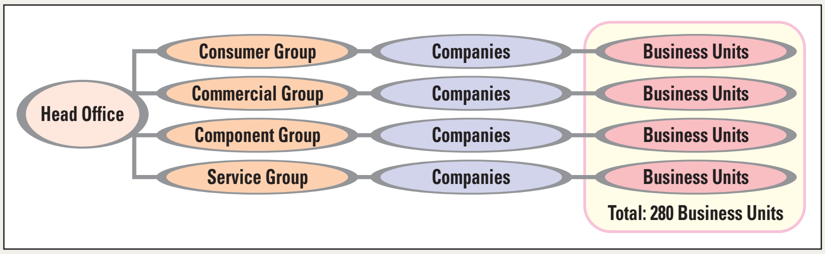
SANYO BUSINESS UNIT SYSTEM

To withstand today's bruising global competition, it is essential for companies to be organized into a strong, self-reliant group. To create such a powerful group, we divided the Sanyo Group into approximately 280 Sanyo business units (SBUs) along product and functional lines. This reorganization into subdivisions is one of the special features of the new management system.

Our SBUs

- have clearly defined goals and lines of responsibility,
- make it easy to determine profitability or contribution to profitability,
- boast a simple and quick decision-making structure,
- reveal a simple organization that allows employees to work independently and without reservation while guided by a clearly established business plan, and
- are structured to quickly develop and promote managers.

By combining these features into our SBUs, we have subdivided our organization in an entirely different way than ever before, creating a vital management structure that will be persistent in achieving goals once they have been decided.



NEW MANAGEMENT SYSTEM

Sanyo's new management system is based on three fundamental concepts. Its business groups are responsible for operations in their respective fields. They are obligated to contribute to maximizing the corporate worth of the entire Sanyo Group. As profit centers, in-house companies, too, are responsible for business in their fields and for the management of the business units under them. Business units, in turn, are responsible for achieving the business goals determined for them by their in-house company's business plan and for contributing to the business performance of that in-house company.

Sanyo is using new performance evaluation standards for business groups and for in-house companies. Those standards are based on profit and loss statements and on balance sheets and Sanyo's version of economic value-added (EVA). Sanyo's EVA uses after-tax income as a base and a cost of capital, giving a stronger weighting to cost of capital. Usually, EVA uses pretax income from which 3% of the total of interest-bearing debt and capital is deducted as capital cost along with a 5% penalty on inventory increases.

NEW MANAGEMENT STRUCTURE AND PERSONNEL EVALUATION SYSTEM

Along with the start of the new management system, we reformed the personnel evaluation system for top management and executive officers.

◆ New business unit leader system

We have placed business unit leaders in charge of our new SBUs and included them in management as candidates for executive officers. As our future management leaders, we develop their abilities selectively. Because the performance of each SBU reflects on the capabilities of the business unit leader, the introduction of the new management system has increased motivation.

We have set the term of office for business unit leaders as three years. There is a clear set of rules governing incentives and penalties: business unit leaders are promoted or demoted and given salary raises or cuts depending on performance. A new contract system has been introduced for their compensation that determines their annual salaries based on a reward and penalty system dependent on whether or not they meet their performance targets.

◆ New executive officer system

We have appointed and positioned highly capable people as executive officers in charge of the companies under each business group. To start with, we have allocated 15 executive officers to different sections. To implement a system of clear rewards and penalties, we have eliminated the unlimited term of office for executive officers, replacing it with a fixed term of, in principle, three years, with renewal required every year. If executive officers do not meet their performance goals, their term of office is not renewed. In addition, we have introduced the same compensative contract system as for the business unit leaders.

AV/Information and Communications Equipment

- Color TVs
- High-Definition Plasma TVs
- VCRs
- DVD Players
- Video Cameras
- Digital Cameras
- LCD Projectors
- High-Definition TV Systems
- Digital Memory Players
- Automotive Stereo Components
- CDs
- Optical Pickups
- Facsimiles
- Cordless Telephones
- Cellular Phones
- PHS Phones
- PHS Base Stations
- Medical Computer Systems
- Portable Navigation Systems
- LCD Monitors
- CD-R/RW Systems
- DVD-ROM Systems

Sales by our AV/Information and Communications Equipment segment rose 12.4% over the previous year, to ¥907,370 million (US$7,561 million). The segment generated 41.6% of consolidated net sales, up 1.7 percentage points from the prior fiscal year. The major contributors to sales growth were Sanyo's top-selling digital cameras, cellular and PHS phones, and optical pickups. The segment posted the best sales among the Company's six business segments.

At 51% and 49%, respectively, the segment's domestic and overseas sales were evenly balanced during the fiscal year under review.

Domestic sales increased 3.3%, to ¥459,346 million (US$3,828 million). The increase was supported significantly by sales of a newly introduced digital camera model with video clip, audio capability, and the highest picture resolution in the industry. Our DVD players and other optical pickup devices also posted notable sales growth. Among other new products, sales of a home-use LCD projector were strong. Sales of cellular and PHS phones fell overall, but sales of handsets with embedded digital cameras rose.

Overseas sales surged 23.6%, to ¥448,024 million (US$3,733 million). With the exception of VCRs, sales of core products increased. Sales, for example, of cellular phones and optical pickups registered marked growth. In other products, sales of LCD projectors were robust, and even digital cameras–unit sales of which remain low–recorded sales growth, indicating the promise they hold for the future. Sales of color television sets also posted gains, mainly in the United States.

Sanyo's charge-coupled devices have earned a strong reputation in world markets. Demand for this product is rising sharply for application as a key device in cellular and PHS phones with embedded digital cameras and in security cameras. Sanyo is planning to expand its manufacturing facilities to meet this growing demand. The Company also is planning to introduce its CCDs in robots, medical care equipment, and other products.

Sales (Billion ¥)

41.6% of net sales

2003	907.4
2002	807.0
2001	792.8

Assets (Billion ¥)

2003	536.1
2002	488.6
2001	527.5

Operating Income (Billion ¥)

2003	40.5
2002	32.7
2001	17.4

Capital Expenditure (Billion ¥)

2003	22.0
2002	17.9
2001	22.0

Sales by our Home Appliances segment decreased 7.8%, to ¥258,707 million (US$2,156 million). The segment accounted for 11.9% of consolidated net sales, a decrease of 2.0 percentage points from the previous fiscal year. Rising sales of washing machines was the only bright spot in the segment's performance amid downturns in the sales of microwave ovens, refrigerators, and air conditioners.

The balance of regional sales was in the domestic market's favor. Domestic sales accounted for 69% of overall regional sales and overseas sales for the rest.

Domestic sales declined 2.4%, to ¥178,965 million (US$1,491 million). Our introduction of the industry's first Top-Open Drum washer-dryer substantially boosted our sales of washing machines. In addition, our highly original microwave oven that can steam cook contributed strongly to segment sales. On the other hand, the depressed economy and declining prices had a significant impact on our sales of air conditioners and refrigerators, which lost ground during the fiscal year.

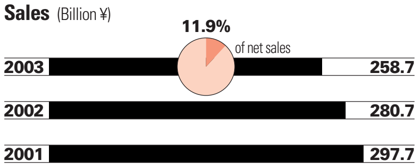
Overseas sales fell 18.1%, to ¥79,742 million (US$665 million). Our product performance was mixed, with sales of air conditioners rising, while sales of refrigerators and washing machines declined. Washing machines have always accounted for a major portion of our domestic sales, so the fall off in their overseas sales during the fiscal year was not a major factor in the overall decline in segment sales.

During the fiscal year, Sanyo continued its strategy of the selective and focused use of resources in dealing in particular with its home-use air-conditioner operations. The Group, for example, moved its entire production of home-use air conditioners to China. In April 2003, Sanyo concluded a joint R&D agreement with Samsung Electronics Co., Ltd., of the Republic of Korea, to maintain its competitiveness in the home-use air-conditioner business. Demand for higher-value-added products, moreover, is increasing in Korea, so the two companies plan to combine their superior resources to speed up product development to match demand.

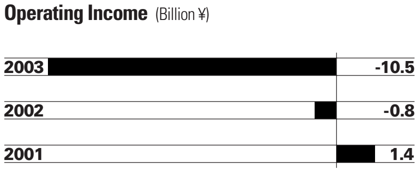
Home Appliances

Refrigerators
Freezers
Washing Machines
Clothes Dryers
Microwave Ovens
Air Conditioners
Vacuum Cleaners
Electric Fans
Massage Loungers
Dish Washers-Dryers
Electromagnetic Cookers
Toasters
Rice Cookers
Waste Disposers
System Kitchens
Electric and Kerosene Heating Equipment
Air Purifiers
Dehumidifiers
Motor-Assisted Bicycles
Electronic and Electric Products for Bicycles
Home-Use Pumps
Medical Sterilizing Equipment
Medical-Use Refrigerators
Ultralow-Temperature Freezers
Automatic Tablet-Wrapping Machines
Compressors for Freezers and for Refrigerators and Air Conditioners

Sales (Billion ¥)



Operating Income (Billion ¥)



Assets (Billion ¥)

Capital Expenditure (Billion ¥)

Industrial and Commercial Equipment

Refrigerated Showcases
Freezer Showcases
Water Coolers
Supermarket Showcases
Commercial Freezers and Refrigerators
Prefabricated Freezers
Ice Makers
Package Air Conditioners
Gas-Engine Heat-Pump Air Conditioners
Absorption Chillers and Heaters
Beverage Dispensers
Golf Cart Systems
Automatic Chip Mounters

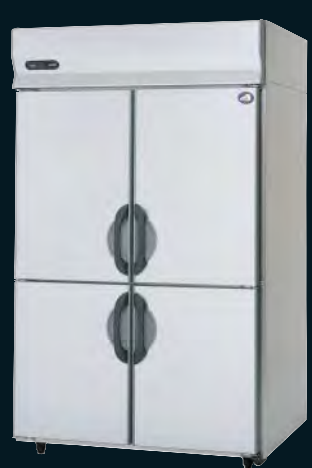
Sales by our Industrial and Commercial Equipment segment decreased 15.1%, to ¥189,910 million (US$1,583 million). This business segment accounted for 8.7% of our consolidated net sales, sinking 2.3 percentage points from the previous fiscal year. Sales of our supermarket showcases expanded favorably but could not cover the major reason for the decline during the fiscal year: the loss of our vending machine business, which we divested in April 2002. Sales of the segment's other products fluctuated, rising or declining slightly.

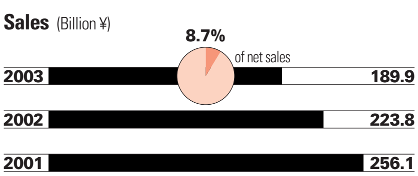
Domestic sales contributed the overwhelming portion of segment sales, at 82%. Overseas sales added 18%.

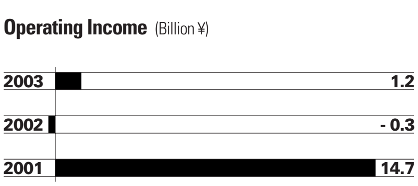
Domestic sales slumped 21.2%, to ¥156,094 million (US$1,301 million). Private-sector capital investment remained weak during the fiscal year, but the decline in demand experienced in the previous fiscal year after the enforcement of the Law Concerning Measures by Large-Scale Retail Stores gradually resolved itself, and sales of our supermarket showcases rose. Our commercial kitchen appliance sales also rose slightly.

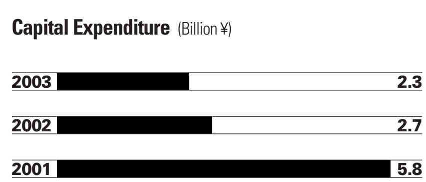
Overseas sales climbed 31.8%, to ¥33,816 million (US$282 million). Robust sales of our supermarket showcases and package air conditioners supported this substantial increase.

This business segment also manufactures and sells bio-related equipment used in companies' R&D programs, pharmaceuticals-related equipment, and testing-related equipment. In its environmental business, the segment is developing water treatment technologies, such as devices for water purification and for sterilizing pools and baths, for processing water used in semiconductor manufacturing, and for removing phosphorous from wastewater.









Electronic Devices

MOS-LSIs
BIP-LSIs
Thick-Film ICs
LCDs
Transistors
Diodes
CCD
LEDs
Laser Diodes
Organic Semiconductive Condensers
Electronic Components

Sales by our Electronic Devices segment rose 17.1%, to ¥443,985 million (US$3,700 million). This segment generated 20.3% of our consolidated net sales, adding 1.6 percentage points from a year earlier. The major factor in the jump in sales was a general recovery in our sales of LCDs, semiconductors, and electronic components. Notably, sales of LCDs rose one and a half times.

Overseas sales formed the larger part of segment sales, at 62%. Domestic sales contributed 38%.

Domestic sales advanced 18.1%, to ¥168,030 million (US$1,400 million). Our digital television and cellular and PHS phones sold well, and, in general, our sales of semiconductor devices, such as CCDs for cellular and PHS phones with embedded cameras, and of electronic components increased. Following the overall trend in the business segment, sales of our LCDs and semiconductors posted substantial gains.

Overseas sales increased 16.6%, to ¥275,955 million (US$2,300 million). The growth in our sales of LCDs was also notable overseas, and our sales of semiconductors also were favorable. A highlight of the fiscal year saw Sanyo complete its third production base in China in June 2002. Sanyo plans to produce low-temperature polysilicon thin-film transistor (TFT) LCDs, organic electroluminescence displays (OELDs), and ultracompact CCD cameras at its new China-based wholly owned subsidiary.

Sanyo commenced commercial shipments of the world's first full-color active matrix type organic light-emitting diode (OLED) display, which we developed jointly in a venture with the Eastman Kodak Company.

Our sales of the Sanyo-developed high-power blue-violet laser diode will begin in fall 2003. Blue-violet lasers are considered the optimum light sources for the recording and playback of the next-generation large-capacity optical disks that are expected to drive market expansion.

Sanyo's capital investment in semiconductors, one of Sanyo's two major areas of investment, totaled ¥19.4 billion during the fiscal year under review. Sanyo plans to increase its investment in semiconductors to ¥29.6 billion in the fiscal year ahead.

Sales (Billion ¥)

20.3% of net sales

2003	444.0
2002	379.1
2001	447.7

Operating Income (Billion ¥)

2003	21.6
2002	-3.9
2001	36.3

Assets (Billion ¥)

2003	582.1
2002	586.6
2001	610.2

Capital Expenditure (Billion ¥)

2003	31.7
2002	45.4
2001	87.1

Sales by our Batteries segment advanced 4.6%, to ¥286,396 million (US$2,387 million). Despite seeing its share of consolidated net sales drop 0.4 percentage points, to 13.1%, from the year before, this business segment added ¥12.5 billion in sales in the fiscal year under review. This sales growth can mainly be attributed to recovery in demand for cellular and PHS phones and personal computers (PCs).

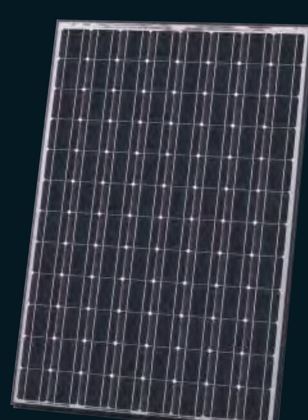
Overseas sales accounted for the chief portion of sales, at 73%. Domestic sales provided 27%.

Sanyo's batteries are overwhelming market leaders in many fields. They boast a 61% share of the cellular and PHS phone market and a 40% share of the notebook computer market. Sanyo's rechargeable batteries, meanwhile, hold the top share of the global market.

Domestic sales edged down 0.3%, to ¥77,143 million (US$643 million). Domestic sales slipped overall because of the shift to lithium-ion from nickel-metal-hydride rechargeable batteries in cellular and PHS phones.

Batteries

Lithium-Ion Rechargeable Batteries
Nickel-Cadmium Rechargeable Batteries
Nickel-Metal-Hydride Rechargeable Batteries
Lithium Batteries
Alkaline Batteries
Manganese Batteries
Solar Cells
Solar-Cell Power Systems
Shavers



Overseas sales increased 6.5%, to ¥209,253 million (US$1,744 million). The hike in sales was related to recovery in demand for cellular and PHS phones and PCs.

During the fiscal year, Sanyo further solidified its position as the world's top manufacturer of lithium-ion batteries. It did so by acquiring 51% of the shares of GS-Melcotec Co., Ltd., a subsidiary of Japan Storage Battery Co., Ltd., and a leading maker of lithium-ion batteries.

Sanyo continued to actively develop the solar cell market domestically and overseas. In November 2002, Sanyo began sales of its HIT solar cell in Europe using its sales network for rechargeable batteries. Sanyo also proceeded with preparations to begin manufacturing HIT photovoltaic modules in the United States in summer 2003. As in Europe, Sanyo will sell its HIT solar cell in the United States through its sales network for rechargeable batteries.

Sanyo's capital investment in batteries, the second of Sanyo's two major investment areas, amounted to ¥21.5 billion in the fiscal year under review. Sanyo will bump this figure up to ¥26.8 billion in the fiscal year ahead.

Sales (Billion ¥)

13.1% of net sales

2003	286.4
2002	273.9
2001	303.9

Operating Income (Billion ¥)

2003	24.7
2002	24.1
2001	38.6

Assets (Billion ¥)

2003	274.3
2002	273.6
2001	298.6

Capital Expenditure (Billion ¥)

2003	21.8
2002	17.3
2001	33.7

Others and Operating Revenue

Sales by our Others segment increased 59.5%, to ¥96,185 million (US$801 million), over the year before, thanks to growth in the housing business. Our Others business segment operations include sales of such items as imported goods, molds, and various parts.

During the fiscal year under review, the Sanyo Group took steps to further reinforce its strength in the housing business by leveraging its advantage as a manufacturer of consumer electronics. Those steps included Sanyo's acquisition of Kubota House Co., Ltd. The Sanyo Group plans to develop its housing business by being comprehensive–handling everything from the construction of condominiums, imported housing, and prefabricated housing to sales. In addition, Sanyo utilizes its know-how as a consumer electronics manufacturer to offer ventilation systems, solar power generation systems, and other products that use diverse advanced electronics technologies.

Our operating revenues from financial services, such as credit finance, and from logistics services grew 4.5%, to ¥91,322 million (US$761 million). The Sanyo Group provides a wide range of financial services, including finance, insurance, securities brokerage, and asset management. Sanyo Electric Credit Co., Ltd., shares of which are listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange, operates corporate leasing and consumer loan businesses. In addition, it has recently entered the corporate finance business, which has strong growth potential in Japan.

The Sanyo Group is utilizing its international and domestic networks to develop procurement and wholesale services as part of its logistics offerings. In January 2003, Sanyo formed a capital tie-up with NTT DATA Corporation, forming NTT DATA Sanyo System Corporation. This company provides IT-related business solution and system creation and operating services and sells package software.

Sales and Operating Revenue (Billion ¥)

2003	187.5
2002	147.7
2001	142.8

Operating Income (Billion ¥)

2003	22.6
2002	22.0
2001	20.3

Assets (Billion ¥)

2003	643.5
2002	614.5
2001	590.7

Capital Expenditure (Billion ¥)

2003	6.0
2002	3.9
2001	5.8

FOR THE BRIGHT FUTURE OF PEOPLE AND THE EARTH

The SANYO Group is energetically involved in the research and development of environmental technologies to promote the harmonious coexistence of environmental preservation and economic activities and through its efforts has developed a wide range of environmental technologies.

Examples of these technologies in the clean energy field include solar cells using sunlight and fuel cells using hydrogen as energy sources and transforming into water when completely combusted. An example in the clean aqua field is technology to remove nitrogen and phosphorous from wastewater. In other fields, examples include energy-saving technology, battery technology, high-efficiency waste heat driving technology, CO_2 systems, waste bioprocessing technology, and lead-free solders.

The SANYO Group is applying these environmental technologies for practical use in global environmental preservation and greater living comfort to contribute to achieving a recycling-oriented society.

For the bright future of people and the earth, the SANYO Group is elevating "Technologies and the mind" and challenging the century of the environment.

Environmental action plan *Action E21*

SANYO promotes environmental conservation from the three different innovative approaches of process, products, and mind.

Action E21
EARTH·ECOLOGY·ENVIRONMENT·ENERGY·ECONOMY

PRODUCTS

Developing environment-conserving products for enhanced environmental performance and environmentally harmonious products that have reduced environmental impact.

PROCESS

Realizing manufacturing activities that minimize their harm to the environment through energy and resource conservation and the reduction of industrial waste.

MIND

Contributing to creating a recycling-oriented society with an emphasis on energy/resource-saving and recycling efforts.

GROUP ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION ISO 14001

Caring for the environment lies at the very heart of SANYO's management philosophy. This is reflected in the drive for ISO 14001. Following the individual certification of 24 centers across Japan, SANYO obtained ISO 14001 Group Environmental Management certification in March 2001. As SANYO progresses with its own *Action E21* environmental campaign, it aims to be a true leader in environmentally sound business practices, balancing economic development with protection of the natural world.

RECYCLING OF HOUSEHOLD APPLIANCES

To assure appropriate disposal of end-of-life household appliances and the effective use of resources, SANYO has built a full-fledged recycling system in cooperation with related organizations. Jointly established recycling plants include JFE Urban Recycle Business Network Corporation (photo).

REDUCTION OF WASTE

As part of its zero emissions challenge, SANYO promotes the recycling of industrial waste, including waste plastics, waste acid, and waste alkali, as well as general waste, such as kitchen refuse and paper.

Developer waste condensation system

Inorganic wastewater treatment system

C L E A N   E N E R G Y

PHOTOVOLTAIC POWER GENERATING TECHNOLOGY

Sanyo provides society with products that transform solar power into energy. The sun is a source of enormous energy, and the Sanyo Group strives to develop technologies and products that can transform its energy into electrical and thermal energy for use in various settings for industry and living.

Solar Ark (upper right) *and Photovoltaic Power Generating System for private house*

CLEAN ENERGY NETWORK: GENESIS PROJECT

The Genesis Project aims to supply energy throughout the world using large-scale photovoltaic power generating systems. Energy shortfalls are becoming a serious global issue in the 21st century. So Sanyo dreams of designing a clean energy supply station for the planet utilizing the photovoltaic power generation technology that it has developed over the years.

This is the Genesis Project. Its objective is to meet the global demand for energy by constructing large-scale photovoltaic power generating systems on the plains and in the deserts and oceans of the world, all of them connected by a network of superconductive cables. In realizing this dream, Sanyo is promoting corporate activities that balance environmental preservation and economic benefits.

Genesis is a global photovoltaic power generating system project. The result will be a system that provides for the power needs of the world by covering 4% of the planet's desert area with solar panels.

C L E A N   A Q U A

WATER PROCESSING TECHNOLOGIES

The Sanyo Group protects the world's precious water resources by developing products that use water efficiently. Referred to as water processing technologies, these products span a wide range, extending from household appliances to industrial water processing equipment. The Sanyo Group also continues to work hard to ensure clean water.

This Sanyo Top-Open Drum washer-dryer (above) *features a non-detergent course. Sanyo's equipment to ensure clean water includes equipment to remove phosphorous from wastewater* (lower right) *and the water-purifying and bacteria-removing Aqua Clean System* (upper right) .

PLAN TO RETURN LAKE BIWA TO THE ENVIRONMENT OF ONE MILLION YEARS AGO

The Sanyo Group extends its water processing technologies and its strong commitment to the environment to clean water preservation and reclamation projects. Showcasing the Group's efforts in this regard is its work on Lake Biwa, Japan's largest lake, which estimates say was created approximately four million years ago.

Since establishing its washing machine production plant near Lake Biwa, Sanyo has worked to develop environmentally friendly technologies and products and to carefully preserve the lake's ecological balance. In recent years, the Sanyo Group has formulated a plan to return Lake Biwa to its environment of one million years ago utilizing the Group's electrolysis-based water purification and sterilization technologies. This dream sees Sanyo position water electrolysis equipment at the mouths of each of the 460 rivers flowing into Lake Biwa and having that equipment inject purified and sterilized water into the lake.

Lake Biwa: This water source for 14 million people in the Kinki region is fed by 460 rivers, is the largest lake in Japan, and boasts an ecosystem that supports roughly 600 animal and 500 plant species.

SPEEDING THE DEVELOPMENT OF PRODUCTS AND OF NEW BUSINESSES

Our R&D activities are focused on the major research themes of Digital & Devices and Energy & Ecology. And Sanyo Technology R&D Headquarters works seamlessly with each of the Company's in-house operations based on those themes. The overall aims are the speedy development of technology in tune with market needs and the development of high-value-added products that generate surprise and excitement in the market.

During the fiscal year under review, we reorganized our head office R&D organization. Our aim in this regard is to combine different fields of technology and to integrate different levels of technology development, from basic to application technologies. We have ramped up our efforts to create new businesses as a result of this reorganization.

In addition, in May 2002 we opened our Energy R&D Center, which becomes our base for rechargeable battery and other soft energy-related R&D. Supported by our new organization, we are targeting shorter time lines for the processes from R&D to commercialization. We also, moreover, are collaborating with our business partners in joint development projects from the research stage onward.

In Japan, we have three research centers operating under our Technology R&D Headquarters. Overseas, Sanyo Technology Center USA carries out information collection activities in the multimedia, device, environment, and energy fields and conducts product planning and marketing activities.

Following are some of the highlights of our research programs during the fiscal year under review.

DIGITAL & DEVICES

- A digital camera with video clip capability featuring a 3.2 million pixel CCD and a high-speed image-processing engine.
- A cellular phone handset compatible with third-generation cellular phone services.
- A home-use LCD projector that provides high-resolution, large-screen images from short distances and that has a lens that can be adjusted up and down, left and right.
- A 15-inch OELD that incorporates highly effective white light-emitting material.
- A wireless TV set that allows viewers to choose any location inside a house to enjoy watching visual software.
- A 50-inch 3-D plasma display that can be viewed by multiple people without special 3-D glasses.
- The world's smallest battery-operated CCD camera system with low energy consumption for cellular phones. The 1/7-inch system has a resolution of 310 thousand pixels.
- A blue-violet laser diode that has the necessary high-power and low-noise features for the recording and playback of next-generation large-capacity optical disk systems. Its pulse light output of 100 megawatts is the highest in the world.
- The industry's smallest (1.8-millimeter) high-frequency surface acoustic wave (SAW) filter.

ENERGY & ECOLOGY

- The first home-use solar photovoltaic module to break the 200-watt barrier. The system uses Sanyo's HIT solar cells, which boast the world's highest power conversion efficiency, at 19.5%.
- An AA-type high-capacity nickel-metal-hydride battery that is optimal for use in digital mobile devices. The battery's 2,100-megawatt-hour capacity is the largest in the industry.
- A next-generation hybrid bicycle with an electric motor featuring the industry's first brake recharging system.
- An energy conservation system with integrated control of freezing, refrigerating, and air-conditioning equipment for supermarkets and convenience stores.
- The industry's first fuel tank type 8-kilowatt commercial cogeneration system, which uses proprietary inverter technology and engine revolution control to substantially improve partial load efficiency.
- Electrolysis technology to efficiently remove nitrogen and phosphorous–major contributors to pollution–from wastewater.
- A position-changing medical bed that turns patients naturally while they are sleeping, and a Murphy bathtub that eases the bathing of patients by nursing care staff.

SELECTED FINANCIAL DATA

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2003, 2002, 2001, 2000, and 1999

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2003	2002	2001	2000	1999	**2003**
For the year:						
Net sales	**¥2,182,553**	¥2,024,719	¥2,157,318	¥1,940,378	¥1,818,153	**$18,187,942**
Operating income	**78,299**	53,074	106,591	62,095	31,768	**652,492**
(Loss) income before income taxes and minority interests	**(84,870)**	3,274	73,484	36,953	(14,964)	**(707,250)**
Net (loss) income	**(72,817)**	1,727	42,201	21,686	(25,883)	**(606,808)**
Capital expenditure	**97,527**	102,194	169,990	90,226	88,811	**812,725**
Depreciation and amortization	**124,762**	125,443	117,289	98,711	102,952	**1,039,683**
At the year-end:						
Total stockholders' equity	**¥ 481,192**	¥ 602,175	¥ 652,322	¥ 665,454	¥ 695,615	**$ 4,009,933**
Total assets	**2,744,526**	2,749,709	2,945,274	2,706,055	2,662,525	**22,871,050**
Per share:						
(yen and U.S. dollars) (Note b):						
Net (loss) income:						
Basic	**¥ (39.1)**	¥ 0.9	¥ 22.6	¥ 11.5	¥ (13.5)	**$ (0.326)**
Diluted	**(39.1)**	0.9	22.1	11.4	(13.5)	**(0.326)**
Cash dividends declared	**6.0**	6.0	6.0	5.0	5.0	**0.050**
Per American Depositary Share:						
(yen and U.S. dollars) (Notes b and c):						
Net (loss) income:						
Basic	**¥ (195.5)**	¥ 4.5	¥ 113.0	¥ 57.5	¥ (67.5)	**$ (1.629)**
Diluted	**(195.5)**	4.5	110.5	57.0	(67.5)	**(1.629)**
Cash dividends declared	**30.0**	30.0	30.0	25.0	25.0	**0.250**
Weighted average number of shares (thousands) (Note b)	**1,863,198**	1,870,510	1,871,376	1,889,477	1,920,197	
Sales by product category:						
AV/Information and Communications Equipment	**¥ 907,370**	¥ 807,045	¥ 792,813	¥ 694,975	¥ 623,774	**$ 7,561,417**
Home Appliances	**258,707**	280,690	297,730	301,637	311,987	**2,155,892**
Industrial and Commercial Equipment	**189,910**	223,768	256,142	240,325	248,269	**1,582,583**
Electronic Devices	**443,985**	379,050	447,654	392,726	351,727	**3,699,875**
Batteries	**286,396**	273,863	303,863	254,906	217,474	**2,386,633**
Others	**96,185**	60,303	59,116	55,809	64,922	**801,542**
Net sales	**¥2,182,553**	¥2,024,719	¥2,157,318	¥1,940,378	¥1,818,153	**$18,187,942**
Sales by area:						
Japan	**¥1,123,543**	¥1,095,611	¥1,100,278	¥ 981,682	¥ 956,538	**$ 9,362,858**
Asia	**549,785**	430,243	468,458	405,493	368,498	**4,581,542**
North America	**294,206**	302,884	365,726	361,177	307,949	**2,451,717**
Europe	**167,783**	156,075	187,542	155,389	146,272	**1,398,192**
Others	**47,236**	39,906	35,314	36,637	38,896	**393,633**
Net sales	**¥2,182,553**	¥2,024,719	¥2,157,318	¥1,940,378	¥1,818,153	**$18,187,942**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; yen and U.S. dollars):						
High	**¥ 633**	¥ 847	¥ 1,060	¥ 694	¥ 434	**$ 5.275**
Low	**264**	418	616	385	297	**2.200**
Number of employees (at the year-end)	**79,025**	80,500	86,009	83,519	77,071	

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2003. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Notes 1 and 16 of Notes to Consolidated Financial Statements.
(c) One American Depositary Share represents five shares of common stock.

OVERVIEW

The principles of selectivity and focus underlay the Sanyo Group's pursuit of reform amid the difficult business conditions worldwide during fiscal 2003, ended March 31, 2003. We strengthened our lithium-ion battery business through an acquisition, sold our chip mounter business, and formed a capital tie-up in the information and communications business. The year also saw us begin commercial shipments of the world's first full-color active matrix type organic light-emitting diode (OLED) display, which we developed jointly with the Eastman Kodak Company, of the United States. This OLED is expected to become the next-generation display format.

Despite an unfavorable economic climate, our performance by business segment for the year under review was largely favorable. Sales rose for our two main segments: AV/Information and Communications Equipment, mainly digital cameras, cellular phones, and LCD projectors, and Electronic Devices, principally semiconductors and electronic components.

Our financial activities during the year hint at the difficult conditions surrounding our operations. We restricted growth in capital by substantially reducing inventories, aiming to make the most efficient use of total capital employed. In addition, we redoubled our efforts to reduce interest-bearing debt. Restricted capital growth notwithstanding, we continued to allocate resources to fields that we selected as focuses. Moreover, we took steps to improve the quality of our assets. We posted losses from our write-down of investment securities and of investments and advances (receivables) to subsidiaries, among other measures.

Consolidated net sales and operating revenue for the fiscal year ended March 31, 2003, rose ¥161.7 billion, or 7.7%, to ¥2,273.9 billion (US$18,949 million). The gain was supported by increased sales for our AV/Information and Communications Equipment and Electronic Devices business segments and for our credit finance and various businesses in our Others segment.

Operating income registered a notable jump of ¥25.2 billion, or 47.5%, to ¥78.3 billion (US$652 million), thanks to sales growth and improved business efficiency. Yet despite these increases, our bottom line was eroded by the losses from our ¥78.2 billion evaluation loss on investment securities and our ¥30.4 billion devaluation and disposal of investments and bad debts to subsidiaries. Consequently, we unavoidably recorded a loss before income taxes and minority interests and a net loss of ¥84.9 billion (US$707 million) and ¥72.8 billion (US$607 million).

Free cash flow for the fiscal year under review recovered from the net cash outflow positions posted in the previous two fiscal years, to a net cash inflow of ¥70.1 billion (US$584 million), representing an improvement of ¥89.7 billion. This result came despite the loss recorded in the period because net cash provided by operating activities was almost the same as in the previous fiscal year and because net cash used in investing activities decreased substantially.

In keeping with the Company's policy of paying dividends, cash dividends applicable to the period comprised an annual dividend of ¥6.0 (US$0.050) per share. Cash dividends per five American Depositary Shares (ADS's), meanwhile, amounted to ¥30.0 (US$0.250) per share.

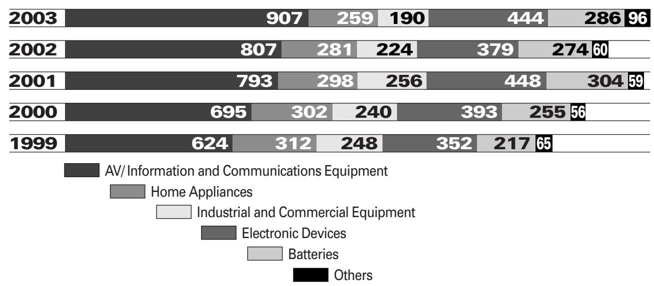
Information on the Presentation of Consolidated Statements and Notes

At March 31, 2003, the Company had 117 consolidated subsidiaries, a net decrease of 6 companies (4 new companies and 10 eliminations), and 51 subsidiaries and affiliates accounted for on an equity basis, a net decrease of 1 company (6 new companies and 7 eliminations).

NET SALES AND OPERATING REVENUE

Net sales expanded ¥157.8 billion, or 7.8%, to ¥2,182.6 billion (US$18,188 million). Among business segments, AV/Information and Communications Equipment sales climbed ¥100.3 billion, or 12.4%, to ¥907.4 billion (US$7,561 million), on the strength of sales of optical pickups, cellular phones, digital cameras, and LCD projectors. Electronic Devices sales, particularly in LCDs, semiconductors, and electronic components, also contributed to overall sales growth, rising ¥64.9 billion, or 17.1%, to ¥444.0 billion (US$3,700 million). Sales by our Batteries segment rose along with the recovery in demand for cellular phone handsets, personal computers, and other items. And sales by our Others segment posted a marked increase because of increased acquisitions by the housing business.

Net Sales by Segment (Billion ¥)



Home Appliances segment sales, however, slumped because of a decline in the sales of microwave ovens, refrigerators, and air conditioners. Sales by our Industrial and Commercial Equipment segment likewise dropped, primarily because of the impact on our business of our selling off of our vending machine business.

Domestic net sales registered solid growth, increasing ¥27.9 billion, or 2.5%, to ¥1,123.6 billion (US$9,363 million). The major contributor to Sanyo's overall sales growth, overseas net sales, totaled ¥1,059.0 billion (US$8,825 million), a remarkable ¥129.9 billion, or 14.0%, increase based mainly on sales growth in Asia. Accordingly, overseas sales as a percentage of consolidated net sales climbed 2.6 percentage points, to 48.5%, while domestic sales as a percentage of consolidated net sales fell by the same percentage points, to 51.5%

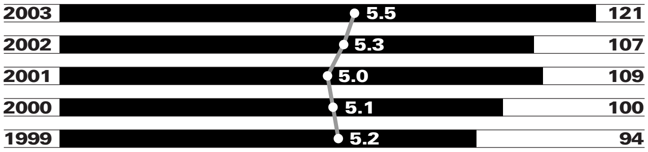
For breakdowns of net sales by business and geographic segments, please see the review of operations.

Operating revenue increased ¥3.9 billion, or 4.5%, to ¥91.3 billion (US$761 million). This increase can be attributed to favorable growth in finance leases and corporate loans in the Group's credit business.

COSTS, EXPENSES, AND OPERATING INCOME

Cost of sales amounted to ¥1,817.1 billion (US$15,143 million), an increase of ¥112.3 billion, or 6.6%, from the previous fiscal year, falling short of the 7.8% growth in net sales by 1.2 percentage points. As a result, the cost of sales ratio declined 0.9 percentage points, to 83.3%, from 84.2% in the preceding fiscal year. The decrease in the cost of sales ratio was principally due to the production efficiency gain by our business segments, to our cost reduction campaigns, and to a decrease in the fixed cost burden produced by higher net sales.

R&D Expenses/R&D Expenses to Net Sales (Billion ¥, %)

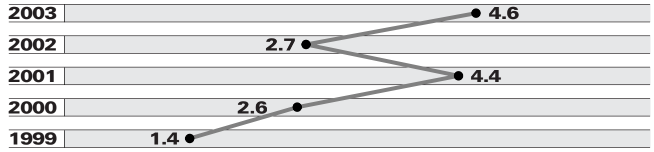


Operating Income (Billion ¥)

Our efforts to restrain our business expenses notwithstanding, increases in expenses, especially in R&D expenses, produced a ¥24.2 billion, or 6.8%, increase in SG&A expenses, to ¥378.5 billion (US$3,154 million). As a proportion of net sales, SG&A expenses declined a marginal 0.2%, to 17.3%, because expenses grew less than sales. R&D expenses included in SG&A expenses totaled ¥120.8 billion (US$1,007 million), climbing ¥13.8 billion, or 12.9% year on year. Reflecting this increase, R&D expenses as a percentage of net sales were 5.5%, rising 0.2 percentage points from 5.3% in the previous fiscal year. The higher figure can be attributed to the continued focus of R&D investments on digital and device and energy and ecology related fields. For greater details, please see the discussion of our R&D for the year.

Mainly because of improved gross profit, operating income rose ¥25.2 billion, or 47.5%, to ¥78.3 billion (US$652 million), despite the expansion in SG&A expenses. Operating income as a percentage of net sales increased 1.0 percentage point, to 3.6%.

Interest Coverage (Times)



A summary of operating income by business and geographical segments follows. For details, please see the tables below and on page 22.

BUSINESS SEGMENT

● AV/Information and Communications Equipment

The AV/Information and Communications Equipment segment remains one of the main contributors to overall profitability at Sanyo, along with Electronic Devices. Its operating income jumped ¥7.8 billion, or 23.8%, to ¥40.5 billion (US$338 million), thanks to firm sales of LCD projectors, digital cameras, cellular and PHS phones, and optical pickups.

● Home Appliances

Our Home Appliances segment suffered an operating loss to ¥10.5 billion (US$88 million), decreasing ¥9.6 billion compared with the previous fiscal year. Although sales of washing machines increased, sales of microwave ovens, refrigerators, and air conditioners slumped.

● Industrial and Commercial Equipment

Increased sales of supermarket showcases helped our Industrial and Commercial Equipment segment overcome our sale of our vending machine business. Operating income rebounded from the operating loss of the previous fiscal year, rising ¥1.5 billion, to ¥1.2 billion (US$10 million).

Business Segments (Unaudited)

	2003						
	Billions of Yen						
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 907.4	¥ 3.1	¥ 910.5	¥ 40.5	¥ 536.1	¥ 25.8	¥22.0
Home Appliances	258.7	6.8	265.5	(10.5)	230.9	12.0	7.3
Industrial and Commercial Equipment	189.9	2.8	192.7	1.2	155.2	4.0	2.3
Electronic Devices	444.0	20.8	464.8	21.6	582.1	53.1	31.7
Batteries	286.4	8.0	294.4	24.7	274.3	20.8	21.8
Others	187.5	14.8	202.3	22.6	643.5	4.3	6.0
Sub-total	2,273.9	56.3	2,330.2	100.1	2,422.1	120.0	91.1
Corporate and eliminations	—	(56.3)	(56.3)	(21.8)	322.4	4.8	6.4
Total	¥2,273.9	¥ —	¥2,273.9	¥ 78.3	¥2,744.5	¥124.8	¥97.5
	Millions of U.S. Dollars						
AV/Information and Communications Equipment	$ 7,561	$ 26	$ 7,587	$338	$ 4,468	$ 215	$183
Home Appliances	2,156	57	2,213	(88)	1,924	100	61
Industrial and Commercial Equipment	1,583	23	1,606	10	1,293	33	19
Electronic Devices	3,700	173	3,873	180	4,851	443	264
Batteries	2,386	67	2,453	206	2,286	173	182
Others	1,563	123	1,686	188	5,362	36	50
Sub-total	18,949	469	19,418	834	20,184	1,000	759
Corporate and eliminations	—	(469)	(469)	(181)	2,687	40	54
Total	$18,949	$ —	$18,949	$653	$22,871	$1,040	$813

	2002							
	Billions of Yen							
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets	Depreciation and Amortization	Capital Expenditure
	External	Intersegment	Total				
AV/Information and Communications Equipment	¥ 807.1	¥ 3.5	¥ 810.6	¥32.7	¥ 488.6	¥ 24.1	¥ 17.9
Home Appliances	280.7	7.4	288.1	(0.8)	262.6	12.1	10.5
Industrial and Commercial Equipment	223.8	1.9	225.7	(0.3)	202.0	4.8	2.7
Electronic Devices	379.0	16.1	395.1	(3.9)	586.6	55.4	45.4
Batteries	273.8	6.4	280.2	24.0	273.6	20.6	17.3
Others	147.7	16.6	164.3	22.0	614.5	4.0	3.9
Sub-total	2,112.1	51.9	2,164.0	73.7	2,427.9	121.0	97.7
Corporate and eliminations	—	(51.9)	(51.9)	(20.6)	321.8	4.4	4.5
Total	¥2,112.1	¥ —	¥2,112.1	¥53.1	¥2,749.7	¥125.4	¥102.2

Geographic Segments (Unaudited)

	2003				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	**¥1,592.4**	**¥423.9**	**¥2,016.3**	**¥81.1**	**¥2,036.0**
Asia	**307.4**	**284.5**	**591.9**	**12.2**	**226.9**
North America	**251.0**	**2.3**	**253.3**	**6.3**	**125.7**
Others	**123.1**	**0.5**	**123.6**	**0.3**	**43.4**
Sub-total	**2,273.9**	**711.2**	**2,985.1**	**99.9**	**2,432.0**
Corporate and eliminations	**—**	**(711.2)**	**(711.2)**	**(21.6)**	**312.5**
Total	**¥2,273.9**	**¥ —**	**¥2,273.9**	**¥78.3**	**¥2,744.5**
	Millions of U.S. Dollars				
Japan	**$13,270**	**$3,533**	**$16,803**	**$676**	**$16,967**
Asia	**2,561**	**2,371**	**4,932**	**102**	**1,891**
North America	**2,092**	**19**	**2,111**	**53**	**1,047**
Others	**1,026**	**4**	**1,030**	**2**	**362**
Sub-total	**18,949**	**5,927**	**24,876**	**833**	**20,267**
Corporate and eliminations	**—**	**(5,927)**	**(5,927)**	**(180)**	**2,604**
Total	**$18,949**	**$ —**	**$18,949**	**$653**	**$22,871**

	2002				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income (Loss)	Assets
	External	Intersegment	Total		
Japan	¥1,466.2	¥377.4	¥1,843.6	¥59.6	¥1,970.2
Asia	267.9	248.7	516.6	11.2	256.2
North America	252.6	2.6	255.2	3.7	147.6
Others	125.4	0.6	126.0	(0.2)	49.8
Sub-total	2,112.1	629.3	2,741.4	74.3	2,423.8
Corporate and eliminations	—	(629.3)	(629.3)	(21.2)	325.9
Total	¥2,112.1	¥ —	¥2,112.1	¥53.1	¥2,749.7

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2003.

● Electronic Devices

A recovery in sales of LCDs, semiconductors, and electronic components moved operating income for our Electronic Devices segment back into the black from the ¥3.9 billion loss in the prior fiscal year. Operating income improved ¥25.5 billion, to ¥21.6 billion (US$180 million), making the segment one of the main contributors to Sanyo's overall operating income.

● Batteries

Supported by a recovery in demand for cellular and PHS phones and personal computers, the operating income of our Batteries segment edged up ¥0.6 billion, or 2.6%, to ¥24.7 billion (US$206 million), showing solid resistance to further declines.

● Others

Our Others segment, too, realized a gain in operating income, of ¥0.6 billion, or 2.8%, to ¥22.6 billion (US$188 million). Profit levels were favorable overall, with growth in housing business acquisition.

GEOGRAPHICAL SEGMENT

● Japan

Operating income for Japan advanced a substantial ¥21.5 billion, or 36.1%, to ¥81.1 billion (US$676 million), and was a main factor in the overall increase in Sanyo's operating income.

● Asia

Asian operating income rose ¥0.9 billion, or 8.4%, to ¥12.2 billion (US$102 million).

● North America

Operating income in North America increased ¥2.6 billion, or 72.1%, to ¥6.3 billion (US$53 million).

● Others

Operating income elsewhere rebounded from the operating loss of ¥0.2 billion in the previous fiscal year, improving ¥0.5 billion, to ¥0.3 billion (US$2 million).

OTHER INCOME (EXPENSES) AND NET INCOME

Other expenses, net, expanded substantially by ¥113.4 billion, to ¥163.2 billion (US$1,360 million). Of this amount, interest expenses, net, declined ¥3.0 billion, to ¥11.5 billion (US$96 million). Interest and dividends income declined ¥1.8 billion, to ¥6.9 billion (US$58 million), mainly because of the lower level of funds invested and the low interest yields. Interest expenses also declined, sinking ¥4.7 billion, to ¥18.5 billion (US$154 million), because the average outstanding balance of interest-bearing debt sank as a result of the high level of redemptions and maturities of interest-bearing debt in the previous fiscal year.

Other, net, soared ¥116.3 billion, to ¥151.7 billion (US$1,264 million). As mentioned, this substantial increase can mainly be attributed to a ¥78.2 billion (US$652 million) evaluation loss on investment securities and to ¥30.4 billion (US$254 million) in job change support expenses for the early retirement of employees related to structural reforms.

As a result of the preceding, the loss before income taxes and minority interests amounted to ¥84.9 billion (US$707 million), down ¥88.1 billion from the previous fiscal year because of the temporary increase in other expenses, net. Current income taxes were ¥23.9 billion (US$199 million), but because of an adjustment of minus ¥37.5 billion (US$312 million) for deferred income taxes the result for net income tax was a refund of ¥13.6 billion (US$113 million). This refund increased the loss before minority interests to ¥71.3 billion (US$594 million), a decline of ¥72.2 billion. After deducting minority interests, Sanyo recorded a loss of ¥72.8 billion (US$607 million), falling ¥74.5 billion from the previous fiscal year.

Basic loss per share was ¥39.1 (US$0.326), compared with net income per share of ¥0.9 in the previous fiscal year. Basic loss per ADS (five common shares) was ¥195.5 (US$1.629), compared with net income per share of ¥4.5 a year earlier. For the annual dividend, please see the related section under overview.

FINANCIAL POSITION

Assets

As a result of the financial strategies mentioned in the overview, total assets at fiscal year-end contracted ¥5.2 billion, or 0.2%, to ¥2,744.5 billion (US$22,871 million).

By type of asset, total current assets increased ¥10.6 billion, to ¥1,476.0 billion (US$12,300 million). The main positive factors in this expansion were a ¥60.1 billion increase in cash and cash equivalents due to an improvement in cash flow; a ¥44.7 billion increase in receivables, primarily because of sales growth; and a ¥6.7 billion rise in other. Among negative factors, securities declined ¥37.5 billion because of devaluation and sales.

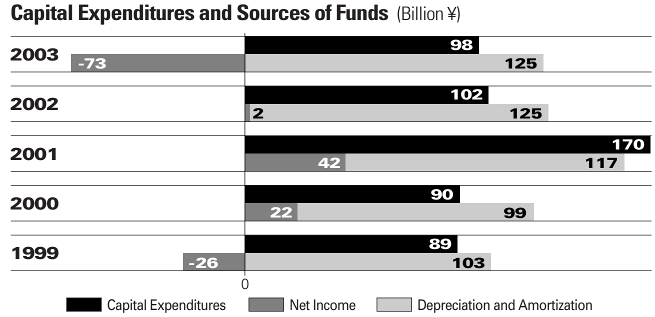
Investments and advances decreased ¥43.6 billion, to ¥258.9 billion (US$2,157 million), mainly because of the devaluation of investment.

Net property, plant and equipment decreased ¥35.1 billion, to ¥627.0 billion (US$5,225 million), in book value. During the fiscal year, Sanyo invested ¥97.5 billion in property, plant and equipment in primarily its Batteries and Electronic Devices business segments, including semiconductors. However, net property, plant and equipment fell as a result of an increase in accumulated depreciation and because of decreases stemming from its sale of its vending machine business.

Deferred income taxes–noncurrent–expanded ¥45.2 billion, to ¥185.6 billion (US$1,546 million). This increase occurred primarily because of deferred tax on a variety of items, such as evaluation losses and decreases, resulting from the application of tax effect accounting.

Other assets, increased ¥17.9 billion, to ¥197.1 billion (US$1,643 million), mainly because of an increase of non-current lease receivables.

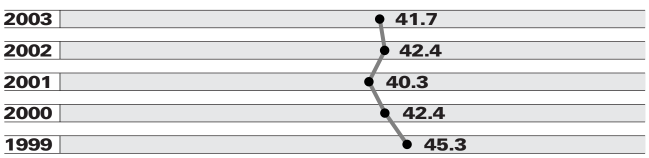
Capital Expenditures and Sources of Funds (Billion ¥)



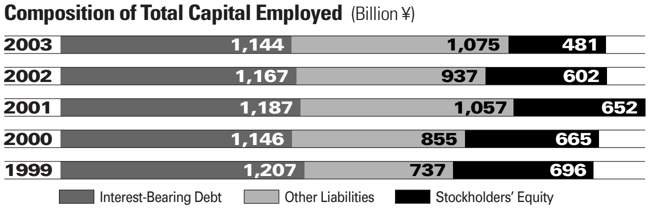
Liabilities and Stockholders' Equity

Total liabilities grew ¥115.3 billion, or 5.5%, to ¥2,218.5 billion (US$18,488 million). This increase resulted principally from increases in severance payments payable and pension obligations and from growth in purchase liabilities related to the expansion of our business. Of this amount, total short- and long-term interest-bearing debt decreased ¥23.1 billion, to ¥1,143.9 billion (US$9,533 million), as a net effect of new fund-raising, repayments, and redemptions.

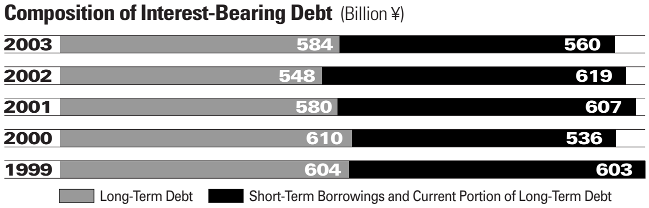
Debt to Equity Ratio (%)



Composition of Total Capital Employed (Billion ¥)



Composition of Interest-Bearing Debt (Billion ¥)



Major funding during the fiscal year under review included the Company's domestic uncollateralized bond issues, totaling ¥50.0 billion. These funds were raised for the redemption of a ¥20.0 billion domestic uncollateralized bond issue that matured in September 2002 and to increase capital investment funds and other outlays. As a result, long-term debt increased ¥35.9 billion, to ¥583.6 billion (US$4,863 million). On the other hand, short-term borrowings declined ¥57.2 billion, to ¥407.3 billion (US$3,394 million), because of increased repayments due to an improved cash position.

Operating liabilities and other liabilities amounted to ¥1,074.6 billion (US$8,955 million), increasing ¥138.4 billion. The principal cause of this increase was a ¥65.9 billion expansion in notes and accounts payable related to business growth. In addition, accrued pension and severance costs rose ¥69.5 billion because of a rise in projected benefit obligation.

Total stockholders' equity decreased ¥121.0 billion, or 20.1%, to ¥481.2 billion (US$4,010 million), and the stockholders' equity ratio edged down 4.4 percentage points, to 17.5%, from 21.9%. The main factors underlying the decrease in stockholders' equity was the ¥84.0 billion decline in retained earnings resulting from the ¥72.8 billion loss and ¥11.2 billion in dividend payments. In addition, accumulated other comprehensive loss grew ¥32.2 billion, to ¥145.6 billion (US$1,214 million), because of an increase in minimum pension liability adjustments. An additional acquisition, of ¥4.8 billion, of treasury stock during the fiscal year raised total treasury stock to ¥7.1 billion (US$59 million).

CASH FLOWS

Cash and cash equivalents (hereafter referred to as cash) at the end of the fiscal period amounted to ¥319.8 billion (US$2,665 million), up ¥60.1 billion from the previous fiscal year-end. This increase can mainly be attributed to the decline in the use of cash in investment activities, particularly property, plant and equipment, during the period under review, resulting in greater free cash flow, and to smaller outflow from financing activities conducted to raise and repay funds. The amount of cash is approximately 1.7 months of average monthly sales of ¥189.5 billion, representing adequate liquidity for normal business operations.

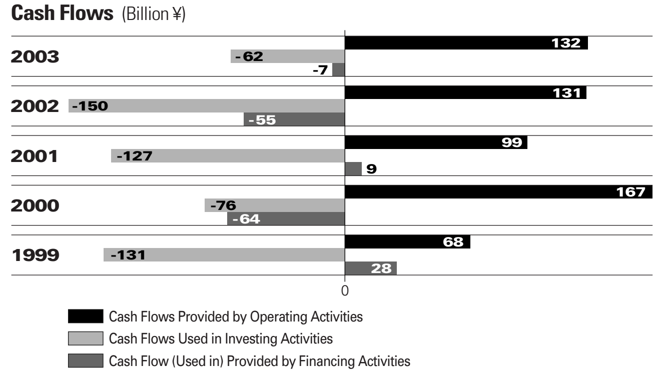
Despite the substantial loss recorded, net cash provided by operating activities was almost the same as in the previous fiscal year, at ¥131.8 billion (US$1,098 million). Net cash inflow, consisting of net income, depreciation and amortization, and other noncash adjustment items, amounted to ¥120.3 billion (US$1,002 million), down ¥18.5 billion from the previous fiscal year. This decrease was due to a decline in our provision for income taxes–deferred and other.

Depreciation and amortization also declined slightly. On the other hand, changes in assets and liabilities, net of effect, produced a net cash inflow of ¥38.3 billion (US$319 million), a ¥26.3 billion improvement thanks to sales growth compared with the net cash inflow of ¥12.0 billion in the previous fiscal year. This cash inflow mainly arose from a substantial increase in notes and accounts payables and a decrease in inventories offset somewhat by a large increase in receivables.

Net cash used in investing activities amounted to ¥61.6 billion (US$514 million), down ¥88.8 billion from the previous fiscal year. This substantial decrease can be attributed to a net inflow of cash from short- and long-term investments and to advances due to various transactions. In addition, payments for purchase of property, plant and equipment decreased ¥56.1 billion, to ¥90.8 billion (US$757 million).

Net cash used in financing activities amounted to ¥7.2 billion (US$60 million), declining ¥47.5 billion from the previous fiscal year. Although there was a decrease in short-term debt due to repayment, long-term debt increased with new issuances of bonds, resulting in a net inflow of ¥9.8 billion (US$82 million) compared with the net outflow of fund-raising, repayment, and redemption of ¥41.6 billion in the previous fiscal year. Dividends paid amounted to ¥11.7 billion (US$98 million), almost the same as in the previous fiscal year.

Cash Flows (Billion ¥)



CONSOLIDATED STATEMENTS OF INCOME

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2003	2002	2001	**2003**
Sales and operating revenue:				
Net sales (Note 5)	**¥2,182,553**	¥2,024,719	¥2,157,318	**$18,187,942**
Operating revenue	**91,322**	87,408	83,679	**761,016**
	2,273,875	2,112,127	2,240,997	**18,948,958**
Costs and expenses (Note 15):				
Cost of sales (Note 5)	**1,817,125**	1,704,797	1,767,392	**15,142,708**
Selling, general and administrative	**378,451**	354,256	367,014	**3,153,758**
	2,195,576	2,059,053	2,134,406	**18,296,466**
Operating income	**78,299**	53,074	106,591	**652,492**
Other income:				
Interest and dividends	**6,954**	8,732	9,673	**57,950**
Foreign currency transaction gains, net	**—**	3,308	8,768	**—**
Other (Note 6)	**29,017**	23,366	20,584	**241,808**
	35,971	35,406	39,025	**299,758**
Other expenses:				
Interest	**18,463**	23,196	26,427	**153,858**
Foreign currency transaction losses, net	**6,075**	—	—	**50,625**
Evaluation loss on investment securities	**78,197**	22,109	8,007	**651,642**
Devaluation and disposal of investments and bad debts	**30,432**	—	—	**253,600**
Other (Note 6)	**65,973**	39,901	37,698	**549,775**
	199,140	85,206	72,132	**1,659,500**
(Loss) income before income taxes and minority interests	**(84,870)**	3,274	73,484	**(707,250)**
Income taxes (Note 14):				
Current	**23,877**	21,172	29,775	**198,975**
Deferred	**(37,474)**	(18,785)	(3,711)	**(312,283)**
	(13,597)	2,387	26,064	**(113,308)**
(Loss) income before minority interests	**(71,273)**	887	47,420	**(593,942)**
Minority interests	**1,544**	(2,017)	5,219	**12,866**
(Loss) income before cumulative effect of accounting change	**(72,817)**	2,904	42,201	**(606,808)**
Cumulative effect of accounting change	**—**	(1,177)	—	**—**
Net (loss) income	**¥ (72,817)**	¥ 1,727	¥ 42,201	**$ (606,808)**

	Yen			U.S. Dollars (Note 2)
Per share:				
Basic (Note 16):				
Basic net (loss) income per share before cumulative effect of accounting change	**¥ (39.1)**	¥1.5	¥22.6	**$ (0.326)**
Cumulative effect of accounting change	**—**	(0.6)	—	**—**
Basic net (loss) income per share	**(39.1)**	0.9	22.6	**(0.326)**
Diluted (Note 16):				
Diluted net (loss) income per share before cumulative effect of accounting change	**(39.1)**	1.5	22.1	**(0.326)**
Cumulative effect of accounting change	**—**	(0.6)	—	**—**
Diluted net (loss) income per share	**(39.1)**	0.9	22.1	**(0.326)**
Cash dividends declared	**6.0**	6.0	6.0	**0.050**
Per American Depositary Share:				
Basic:				
Basic net (loss) income per share before cumulative effect of accounting change	**¥ (195.5)**	¥ 7.5	¥113.0	**$ (1.629)**
Cumulative effect of accounting change	**—**	(3.0)	—	**—**
Basic net (loss) income per share	**(195.5)**	4.5	113.0	**(1.629)**
Diluted:				
Diluted net (loss) income per share before cumulative effect of accounting change	**(195.5)**	7.5	110.5	**(1.629)**
Cumulative effect of accounting change	**—**	(3.0)	—	**—**
Diluted net (loss) income per share	**(195.5)**	4.5	110.5	**(1.629)**
Cash dividends declared	**30.0**	30.0	30.0	**0.250**
Weighted average number of shares (thousands)	**1,863,198**	1,870,510	1,871,376	

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 2) 2003
Current assets:			
Cash and cash equivalents:			
Cash	**¥ 145,916**	¥ 78,725	**$ 1,215,967**
Time deposits	**173,837**	180,957	**1,448,642**
	319,753	259,682	**2,664,609**
Short-term investments (Notes 6 and 11)	**29,328**	66,806	**244,400**
Receivables:			
Notes and accounts	**416,580**	395,492	**3,471,500**
Finance receivables (Note 3)	**235,247**	223,487	**1,960,392**
Affiliates and unconsolidated subsidiaries	**57,094**	45,258	**475,783**
Allowance for doubtful accounts	**(28,506)**	(20,720)	**(237,550)**
	680,415	643,517	**5,670,125**
Inventories (Note 4)	**341,226**	404,688	**2,843,550**
Deferred income taxes (Note 14)	**31,435**	23,960	**261,958**
Prepaid expenses and other	**73,812**	66,766	**615,100**
Total current assets	**1,475,969**	1,465,419	**12,299,742**
Investments and advances:			
Affiliates and unconsolidated subsidiaries (Note 5)	**35,263**	36,320	**293,858**
Other (Notes 6 and 11)	**223,604**	266,185	**1,863,367**
	258,867	302,505	**2,157,225**
Property, plant and equipment (Note 7):			
Buildings	**477,324**	483,691	**3,977,700**
Machinery and equipment	**987,442**	1,013,659	**8,228,683**
	1,464,766	1,497,350	**12,206,383**
Accumulated depreciation	**(998,521)**	(999,976)	**(8,321,008)**
	466,245	497,374	**3,885,375**
Land	**144,450**	146,220	**1,203,750**
Construction in progress	**16,300**	18,526	**135,833**
	626,995	662,120	**5,224,958**
Deferred income taxes (Note 14)	**185,563**	140,405	**1,546,358**
Other assets	**197,132**	179,260	**1,642,767**
	¥2,744,526	¥2,749,709	**$22,871,050**

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 2) 2003
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 407,298**	¥ 464,475	**$ 3,394,150**
Current portion of long-term debt (Note 7)	**153,095**	154,963	**1,275,792**
Notes and accounts payable:			
Trade	**456,781**	391,337	**3,806,508**
Affiliates and unconsolidated subsidiaries	**9,836**	9,405	**81,967**
Construction	**31,598**	30,086	**263,317**
	498,215	430,828	**4,151,792**
Accrued income taxes	**15,372**	16,777	**128,100**
Employees' savings deposits	**24,180**	26,697	**201,500**
Other, including dividends payable and accrued expenses	**228,082**	222,603	**1,900,683**
Total current liabilities	**1,326,242**	1,316,343	**11,052,017**
Long-term debt (Notes 7 and 11)	**583,556**	547,620	**4,862,967**
Accrued pension and severance costs (Note 8)	**308,751**	239,301	**2,572,925**
Total liabilities	**2,218,549**	2,103,264	**18,487,909**
Minority interests in consolidated subsidiaries	**44,785**	44,270	**373,208**
Commitments and contingent liabilities (Note 10)			
Stockholders' equity (Note 13):			
Common stock:			
Authorized:			
March 31, 2003 and 2002—4,921,196 thousand shares			
Issued:			
March 31, 2003—1,872,338 thousand shares	**172,242**	—	**1,435,350**
March 31, 2002—1,872,335 thousand shares	**—**	172,241	**—**
Additional paid-in capital	**336,029**	336,028	**2,800,242**
Retained earnings	**125,686**	209,674	**1,047,383**
Accumulated other comprehensive loss	**(145,648)**	(113,487)	**(1,213,733)**
	488,309	604,456	**4,069,242**
Less, treasury stock at cost:			
2003—17,090,173 shares	**(7,117)**	—	**(59,309)**
2002— 2,161,204 shares	**—**	(2,281)	**—**
Total stockholders' equity	**481,192**	602,175	**4,009,933**
	¥2,744,526	¥2,749,709	**$22,871,050**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2003, 2002 and 2001

	Millions of Yen								
				Accumulated Other Comprehensive Income (Loss)					
(Number of Shares of Common Stock—Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Net Unrealized Gains (Losses) on Derivatives	Total	Total Comprehensive Income (Loss)
Balance, March 31, 2000 (1,872,327)	¥172,238	¥336,026	¥188,193	¥29,514	¥(38,259)	¥(22,153)	¥ —	¥(30,898)	
Comprehensive income (loss):									
Net income			42,201						¥ 42,201
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥25,234 million)				(35,241)				(35,241)	(35,241)
Reclassification adjustments for net losses realized in net income (net of tax of ¥2,381 million) (Note 6)				3,548				3,548	3,548
Foreign currency translation adjustments					13,753			13,753	13,753
Minimum pension liability adjustments (net of tax of ¥18,314 million)						(25,291)		(25,291)	(25,291)
Total									¥ (1,030)
Cash dividends			(11,228)						
Conversion of convertible bonds (8)	3	2							
Balance, March 31, 2001 (1,872,335)	172,241	336,028	219,166	(2,179)	(24,506)	(47,444)	—	(74,129)	
Comprehensive income (loss):									
Net income			1,727						¥ 1,727
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥26,680 million) (Note 6)				(37,900)				(37,900)	(37,900)
Reclassification adjustments for net losses realized in net income (net of tax of ¥8,546 million)				12,125				12,125	12,125
Foreign currency translation adjustments					9,333			9,333	9,333
Minimum pension liability adjustments (Note 8) (net of tax of ¥15,384 million)						(21,245)		(21,245)	(21,245)
Cumulative effect of adopting SFAS No. 133 (net of tax of ¥1,762 million)							(807)	(807)	(807)
Net unrealized losses on derivatives (net of tax of ¥1,406 million) (Note 12)							(1,428)	(1,428)	(1,428)
Reclassification adjustments for net losses realized in net income (net of tax of ¥799 million)							564	564	564
Total									¥ (37,631)
Cash dividends			(11,219)						
Balance, March 31, 2002 (1,872,335)	172,241	336,028	209,674	(27,954)	(15,173)	(68,689)	(1,671)	(113,487)	
Comprehensive income (loss):									
Net loss			**(72,817)**						**¥ (72,817)**
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of ¥19,922 million) (Note 6)				**(25,864)**				**(25,864)**	**(25,864)**
Reclassification adjustments for net losses realized in net loss (net of tax of ¥31,432 million)				**42,682**				**42,682**	**42,682**
Foreign currency translation adjustments					**(10,990)**			**(10,990)**	**(10,990)**
Minimum pension liability adjustments (Note 8) (net of tax of ¥24,550 million)						**(37,716)**		**(37,716)**	**(37,716)**
Net unrealized losses on derivatives (net of tax of ¥864 million) (Note 12)							**(839)**	**(839)**	**(839)**
Reclassification adjustments for net losses realized in net loss (net of tax of ¥729 million)							**566**	**566**	**566**
Total									**¥(104,978)**
Cash dividends			**(11,171)**						
Conversion of convertible bonds (3)	**1**	**1**							
Balance, March 31, 2003 (1,872,338)	**¥172,242**	**¥336,029**	**¥125,686**	**¥(11,136)**	**¥(26,163)**	**¥(106,405)**	**¥(1,944)**	**¥(145,648)**	
	Thousands of U.S. Dollars (Note 2)								
Balance, March 31, 2002 (1,872,335)	**$1,435,342**	**$2,800,234**	**$1,747,283**	**$(232,950)**	**$(126,442)**	**$(572,408)**	**$ (13,925)**	**$(945,725)**	
Comprehensive income (loss):									
Net loss			**(606,808)**						**$(606,808)**
Other comprehensive income (loss):									
Net unrealized losses on securities (net of tax of $166 million) (Note 6)				**(215,533)**				**(215,533)**	**(215,533)**
Reclassification adjustments for net losses realized in net loss (net of tax of $262 million)				**355,683**				**355,683**	**355,683**
Foreign currency translation adjustments					**(91,583)**			**(91,583)**	**(91,583)**
Minimum pension liability adjustments (Note 8) (net of tax of $205 million)						**(314,300)**		**(314,300)**	**(314,300)**
Net unrealized losses on derivatives (net of tax of $7 million) (Note 12)							**(6,992)**	**(6,992)**	**(6,992)**
Reclassification adjustments for net losses realized in net loss (net of tax of $6 million)							**4,717**	**4,717**	**4,717**
Total									**$(874,816)**
Cash dividends			**(93,092)**						
Conversion of convertible bonds (3)	**8**	**8**							
Balance, March 31, 2003 (1,872,338)	**$1,435,350**	**$2,800,242**	**$1,047,383**	**$ (92,800)**	**$(218,025)**	**$(886,708)**	**$(16,200)**	**$(1,213,733)**	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2003	2002	2001	**2003**
Cash flows from operating activities:				
Net (loss) income	**¥ (72,817)**	¥ 1,727	¥ 42,201	**$ (606,808)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**124,762**	125,443	117,289	**1,039,683**
(Gain) loss on sale of marketable securities and investment securities	**(6,038)**	5,963	2,201	**(50,317)**
Evaluation losses on investment securities	**78,197**	22,109	8,007	**651,642**
Devaluation and disposal of investments and bad debts	**30,432**	—	—	**253,600**
Loss on disposal of property, plant and equipment	**5,638**	3,654	4,045	**46,983**
Provision for income taxes—deferred	**(37,474)**	(18,785)	(3,711)	**(312,283)**
Equity in earnings of affiliates and unconsolidated subsidiaries	**(2,429)**	(1,308)	(2,036)	**(20,242)**
Change in assets and liabilities, net of effect of newly consolidated subsidiaries in 2003				
(Increase) decrease in receivables	**(60,493)**	53,179	(107,853)	**(504,108)**
Decrease (increase) in inventories	**54,642**	34,666	(34,236)	**455,350**
Decrease (increase) in prepaid expenses and other	**19,651**	17,468	(26,234)	**163,758**
(Increase) decrease in other assets	**(33,142)**	16,657	(22,547)	**(276,183)**
Increase (decrease) in notes and accounts payable	**61,724**	(70,788)	73,378	**514,367**
Decrease in accrued income taxes	**(1,094)**	(4,696)	(3,590)	**(9,117)**
(Decrease) increase in other current liabilities	**(2,976)**	(34,502)	39,430	**(24,800)**
Other, net	**(26,827)**	(19,879)	13,000	**(223,559)**
Total adjustments	**204,573**	129,181	57,143	**1,704,774**
Net cash provided by operating activities	**131,756**	130,908	99,344	**1,097,966**
Cash flows from investing activities:				
Decrease (increase) in short-term investments	**36,386**	(15,281)	(14,540)	**303,217**
Proceeds from sale of investments and collection of advances	**30,201**	30,879	33,284	**251,675**
Proceeds from sale of property, plant and equipment	**28,012**	24,978	15,214	**233,433**
Payments for purchase of investments and advances	**(46,606)**	(38,921)	(36,967)	**(388,383)**
Payments for purchase of property, plant and equipment	**(90,783)**	(146,891)	(123,641)	**(756,525)**
Proceeds from acquisition of consolidated subsidiaries	**8,058**	—	—	**67,150**
Proceeds from sale of consolidated subsidiaries	**4,813**	—	—	**40,108**
Other, net	**(31,712)**	(5,222)	(80)	**(264,267)**
Net cash used in investing activities	**(61,631)**	(150,458)	(126,730)	**(513,592)**
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	**(33,638)**	19,652	10,846	**(280,317)**
Proceeds from issuance of long-term debt	**215,635**	122,440	143,804	**1,796,959**
Repayments of long-term debt	**(172,208)**	(183,707)	(133,548)	**(1,435,067)**
Dividends paid	**(11,733)**	(11,794)	(10,842)	**(97,775)**
Repurchases of common stock	**(5,245)**	(1,297)	(879)	**(43,708)**
Net cash (used in) provided by financing activities	**(7,189)**	(54,706)	9,381	**(59,908)**
Effect of exchange rate changes on cash and cash equivalents	**(5,221)**	4,358	6,123	**(43,508)**
Net increase (decrease) in cash and cash equivalents	**57,715**	(69,898)	(11,882)	**480,958**
Cash and cash equivalents of newly consolidated subsidiaries	**2,356**	—	—	**19,634**
Cash and cash equivalents at beginning of year	**259,682**	329,580	341,462	**2,164,017**
Cash and cash equivalents at end of year	**¥319,753**	¥259,682	¥329,580	**$2,664,609**

The accompanying notes are an integral part of these statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanyo is engaged in development, manufacture and sales in various locations around the world. Sanyo operates in six business segments: "AV/Information and Communications Equipment," "Home Appliances," "Industrial and Commercial Equipment," "Electronic Devices," "Batteries" and "Others." Fiscal 2003 net sales comprised AV/Information and Communications Equipment (42%), Home Appliances (12%), Industrial and Commercial Equipment (9%), Electronic Devices (20%), Batteries (13%) and Others (4%). The principal markets are in Japan, Asia, North America, Europe and others, with sales in each area representing 52%, 25%, 13%, 8% and 2%, respectively, of net sales for the year ended March 31, 2003. Sanyo has manufacturing facilities located in more than 20 countries, principally in Asian areas, such as Japan and China, as well as in North America and Europe.

Accounting Principles

The accounting records of domestic companies are maintained in accordance with accounting practices prevailing in Japan. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles as defined in the United States of America. Such adjustments primarily comprise accruing pension and severance costs and derivative instruments and hedging activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 20%-to-50%-held companies and certain unconsolidated subsidiaries that are not material are, with minor exceptions, carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

Cash Equivalents

All highly liquid investments, including time deposits, are considered to be cash equivalents.

Short-Term Investments and Investments and Advances

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. For the purpose of computing gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated at the exchange rates in effect at the respective balance sheet date, and related transaction gains or losses are included in the determination of net income.

Assets and liabilities of foreign consolidated subsidiaries and affiliates and unconsolidated subsidiaries accounted for on an equity basis are translated into yen at the exchange rates in effect at the balance sheet date. Operating accounts are translated at the average rate of exchange for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen. These translation adjustments, which are not included in the determination of net income, are reported in other comprehensive income.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for other inventories.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in earnings.

Depreciation is principally computed by the declining balance method at rates based on the estimated useful lives of the assets.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on these deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Derivatives

Effective April 1, 2001, Sanyo adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. These standards require a company to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The change in the fair value of a derivative is recognized in earnings in the period of the change or reported as a component of other comprehensive income, depending on the intended use of the derivative and the resulting designation.

As of April 1, 2001, the adoption of these new standards resulted in a cumulative accounting change that reduced net income by ¥1,177 million, net of tax and minority interests of ¥1,047 million, and increased accumulated other comprehensive loss by ¥807 million, net of income taxes and minority interests of ¥3,388 million.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." See Note 9 for disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure,"on the Company's stock options.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of convertible bonds. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 16.

Revenue Recognition

Sanyo recognizes sales when the title has passed to customers, the sales prices are fixed or determinable, and the collectibility is reasonably assured.

New Accounting Pronouncements

In June 2002, the Financial Accounting Standard Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard addresses financial accounting and reporting for costs associated with an exit or disposal activity. SFAS No. 146 replaces Emerging Issues Task Force ("EITF") issue No. 94-3 ("EITF 94-3"), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The difference from EITF 94-3 is recognition of liability for costs associated with an exit or disposal activity. SFAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred and meets the definition in FASB Concepts Statements, rather than at the date of a commitment to an exit or disposal plan. Sanyo adopted the standard for exit or disposal activities that were initiated after December 31, 2002. Adoption of SFAS No. 146 had no material effect on Sanyo's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46") , "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin ("ARB") No. 51." FIN 46 provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable interest entities ("VIEs"). FIN 46 applies to new entities that are created after the effective date, as well as to existing entities. For VIEs created before February 1, 2003, the

recognition and measurement provisions of FIN 46 are effective for Sanyo after June 15, 2003, while for VIEs created after January 31, 2003, the recognition and measurement provisions of FIN 46 are effective immediately. Sanyo has not determined the effect of adopting FIN 46.

In January 2003, EITF reached a final consensus on EITF 03-2, "Accounting for the Transfer to the Japanese Government of the Substantial Portion of Employee Pension Fund Liabilities." Upon this accounting, the different amount between the fair value of the benefit obligation and the assets to be transferred to the government should be accounted for and separately disclosed as a subsidy. On February 17, 2003, the Company and certain consolidated subsidiaries were approved by the government for an exemption from the obligation to pay benefits for future employee service in connection with the substantial portion. The Company will submit the further application for the obligation related to past employee service. After approval of the application by the government, the Company will transfer the obligation related to the past employee service and the portion of the assets specified under the Welfare Pension Insurance Law. Sanyo has not determined the impact of the transfer on its consolidated financial statements.

2 UNITED STATES DOLLAR AMOUNTS

The dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2003 represent the arithmetical results of translating yen to dollars on the basis of ¥120 = US$1, the approximate effective rate of exchange at March 31, 2003.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥120 = US$1 or at any other rate.

3 FINANCE RECEIVABLES

In accordance with generally recognized trade practice, finance receivables at March 31, 2003 included installment receivables of ¥25,750 million ($214,583 thousand) from customers, of which ¥15,764 million ($131,367 thousand) matures after one year.

4 INVENTORIES

Inventories at March 31, 2003 and 2002 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Finished products	**¥175,009**	¥220,054	**$1,458,408**
Work in process	**78,203**	89,056	**651,692**
Raw materials	**88,014**	95,578	**733,450**
	¥341,226	¥404,688	**$2,843,550**

5 INVESTMENTS AND ADVANCES

Summarized financial information of affiliates that are accounted for by the equity method is as follows:

At March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current assets	**¥ 85,151**	¥153,175	**$ 709,592**
Noncurrent assets	**56,990**	87,851	**474,917**
Total assets	**142,141**	241,026	**1,184,509**
Current liabilities	**69,741**	112,254	**581,175**
Noncurrent liabilities	**31,067**	88,564	**258,892**
Total liabilities	**100,808**	200,818	**840,067**
Net assets	**¥ 41,333**	¥ 40,208	**$ 344,442**
Sanyo's investment in affiliates	**¥ 25,553**	¥ 22,936	**$ 212,942**
Number of affiliated companies at end of fiscal period:			
In Japan	**17**	17	
Outside Japan	**9**	9	

Years ended March 31, 2003, 2002 and 2001	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Results of operations:				
Net sales	**¥181,170**	¥185,996	¥277,630	**$1,509,750**
Net income	**1,713**	1,694	2,760	**14,275**
Sanyo's equity in affiliates:				
Net income	**¥ 1,598**	¥ 1,094	¥ 825	**$ 13,317**
Cash dividends	**345**	489	301	**2,875**
Transactions with affiliates:				
Sales to	**¥ 30,705**	¥ 53,570	¥117,734	**$ 255,875**
Purchases from	**33,618**	37,397	49,567	**280,150**

The aggregate carrying amount and market value of investments in affiliates (for which a quoted market price is available) at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Carrying amount	**¥8,139**	¥7,894	**$67,825**
Market value	**6,709**	6,517	**55,908**

6 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in short-term investments (current assets) and in investments and advances—other (noncurrent assets) at March 31, 2003 and 2002 are summarized as follows.

	Millions of Yen							
	2003				2002			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Debt securities	**¥ 18,651**	**¥ 18,271**	**¥ 36**	**¥ 416**	¥ 70,644	¥ 70,553	¥ 42	¥ 133
Equity securities	**89,205**	**72,854**	**4,976**	**21,327**	180,801	136,086	5,897	50,612
	¥107,856	**¥ 91,125**	**¥5,012**	**¥21,743**	¥251,445	¥206,639	¥5,939	¥50,745
Held-to-maturity:								
Debt securities	**27,619**	**27,393**	**29**	**255**	5,721	5,615	6	112
	27,619	**27,393**	**29**	**255**	5,721	5,615	6	112
Total investments in debt and equity securities	**¥135,475**	**¥118,518**	**¥5,041**	**¥21,998**	¥257,166	¥212,254	¥5,945	¥50,857

	Thousands of U.S. Dollars			
	2003			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Debt securities	**$ 155,425**	**$152,258**	**$ 300**	**$ 3,467**
Equity securities	**743,375**	**607,117**	**41,467**	**177,725**
	$ 898,800	**$759,375**	**$41,767**	**$181,192**
Held-to-maturity:				
Debt securities	**230,158**	**228,275**	**242**	**2,125**
	230,158	**228,275**	**242**	**2,125**
Total investments in debt and equity securities	**$1,128,958**	**$987,650**	**$42,009**	**$183,317**

Contractual maturities of investments in debt securities classified as available-for-sale securities and held-to-maturity securities at March 31, 2003 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥10,263	¥10,293	¥19,027	¥19,028	$ 85,525	$ 85,775	$158,558	$158,567
Due after 1 year through 5 years	102	101	1,000	991	850	842	8,333	8,258
Due after 5 years	8,286	7,877	7,592	7,374	69,050	65,641	63,267	61,450
	¥18,651	¥18,271	¥27,619	¥27,393	$155,425	$152,258	$230,158	$228,275

The proceeds from the sale of available-for-sale securities for the years ended March 31, 2003, 2002 and 2001 were ¥7,004 million ($58,367 thousand), ¥11,863 million and ¥28,028 million, respectively. The gross realized gains and losses on those sales were ¥829 million ($6,908 thousand) and ¥3,662 million ($30,517 thousand), respectively, for the year ended March 31, 2003, ¥3,465 million and ¥1,377 million, respectively, for the year ended March 31, 2002 and ¥7,589 million and ¥7,334 million, respectively, for the year ended March 31, 2001.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, included bank overdrafts and trade acceptances payable of foreign subsidiaries.

The amount of unused lines of credit was approximately ¥731,000 million ($6,091,667 thousand) at March 31, 2003.

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Short-term bank loans with interest ranging from 0% to 5.60% and from 0% to 7.225% at March 31, 2003 and March 31, 2002, respectively	**¥343,596**	¥414,410	**$2,863,300**
Commercial paper with interest ranging from 0.02% to 1.67% and from 0.05% to 2.199% at March 31, 2003 and March 31, 2002, respectively	**63,702**	50,065	**530,850**
	¥407,298	¥464,475	**$3,394,150**

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Loans, principally from banks and insurance companies, due 2003 to 2015 with interest rates ranging from 0% to 12.00% and due 2002 to 2015 with interest rates ranging from 0% to 13.50% at March 31, 2003 and March 31, 2002, respectively:			
Collateralized (a)	**¥ 15,264**	¥ 17,612	**$ 127,200**
Uncollateralized	**382,936**	363,459	**3,191,133**
Uncollateralized convertible yen bonds (b):			
1.7% convertible bonds due November 2002	**—**	5,653	**—**
1.6% convertible bonds due November 2004	**49,898**	49,898	**415,816**
0.8% convertible bonds due March 2004	**431**	961	**3,591**
Uncollateralized convertible euroyen bonds:			
0% bonds issued by a consolidated subsidiary due March 2009	**5,122**	—	**42,683**
Uncollateralized bonds (b):			
2.625% bonds due September 2002	**—**	20,000	**—**
2.825% bonds due September 2003	**20,000**	20,000	**166,667**
3.10% bonds due May 2007	**20,000**	20,000	**166,667**
3.35% bonds due May 2009	**30,000**	30,000	**250,000**
1.550% bonds due June 2003	**10,000**	10,000	**83,333**
1.925% bonds due June 2005	**20,000**	20,000	**166,667**
2.325% bonds due June 2008	**20,000**	20,000	**166,667**
1.33% bonds due August 2005	**20,000**	20,000	**166,667**
1.82% bonds due August 2007	**30,000**	30,000	**250,000**
0.78% bonds due May 2007	**30,000**	—	**250,000**
1.25% bonds due May 2009	**20,000**	—	**166,667**
2.4% bonds issued by a consolidated subsidiary due June 2005	**5,000**	5,000	**41,667**
0% bonds issued by a consolidated subsidiary due September 2002	**—**	5,000	**—**
1.75% bonds issued by a consolidated subsidiary due April 2002	**—**	10,000	**—**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**41,667**
1.63% bonds issued by a consolidated subsidiary due July 2004	**5,000**	5,000	**41,667**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**41,667**
2.00% bonds issued by a consolidated subsidiary due November 2006	**5,000**	5,000	**41,667**
2.42% bonds issued by a consolidated subsidiary due March 2010	**15,000**	15,000	**125,000**
1.07% bonds issued by a consolidated subsidiary due April 2003	**10,000**	10,000	**83,333**
0.80% bonds issued by a consolidated subsidiary due April 2004	**10,000**	10,000	**83,333**
0.79% bonds issued by a consolidated subsidiary due September 2005	**3,000**	—	**25,000**
	736,651	702,583	**6,138,759**
Less: amount due within one year	**153,095**	154,963	**1,275,792**
	¥583,556	¥547,620	**$4,862,967**

(a) These loans are collateralized by property, plant and equipment belonging to the Company's subsidiaries.
(b) The Company and certain subsidiaries may not pledge their property or assets for any future borrowings without granting the same or equivalent collateral to the bondholders.

Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors for such loans.

The aggregate annual maturities of long-term debt at March 31, 2003 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥160,749	$1,339,575
2006	110,648	922,067
2007	81,923	682,692
2008	120,357	1,002,975
2009 and thereafter	109,879	915,658
	¥583,556	$4,862,967

Under the terms of the agreements of the convertible debt outstanding at March 31, 2003, redemption and conversion options are as follows:

	Redeemable		Current Conversion
	On or After	Price Range	Price per Share
Convertible yen bonds:*			
1.6% convertible bonds due November 2004	Dec. 1, 2002	101%–100%	¥1,036.00
0.8% convertible bonds issued by a consolidated subsidiary due March 2004	Mar. 31, 2004	100%	¥1,381.90
Convertible euroyen bonds:*			
0% convertible bonds issued by a consolidated subsidiary due March 2009	Apr. 15, 2002	106%–100%	¥2,980.00

*May be repurchased at any time on the open market.

As of March 31, 2003, the number of shares of common stock required to convert all of the convertible debt was 48,164 thousand shares.

8 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. Fifty percent of the severance indemnities payable when an employee retires at his or her designated retirement age under the regulations of the Company and its principal domestic subsidiaries are paid as an annuity or in a lump sum from a pension plan, which was established pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). In accordance with the JWPIL, a portion of the government's social security pension program, to which the employer and employees contribute nearly equal amounts, is contracted out to these companies. The companies add to the plan their own noncontributory pension plans. On November 1, 1993, another noncontributory pension plan was established to cover 20% of the severance indemnities payable.

Certain consolidated U.S. subsidiaries have a defined contribution retirement plan called the Sanyo Retirement Savings Plan. The plan covers all eligible full-time employees who elect to participate with one year of service or more.

The Company and its principal domestic subsidiaries provide for lump-sum severance benefits with respect to directors and corporate auditors. While the Company has no legal obligation, it is customary practice in Japan to make lump-sum payments to a director or a corporate auditor upon retirement. Annual provisions are made in the accounts for the estimated cost of this termination plan, which is not funded.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥586,319**	¥523,116	**$4,885,992**
Service cost	**23,902**	20,428	**199,183**
Interest cost	**20,349**	20,699	**169,575**
Plan participants' contributions	**3,490**	4,026	**29,083**
Plan amendment	**—**	(4,967)	**—**
Actuarial losses	**34,488**	51,592	**287,400**
Benefits paid	**(40,316)**	(28,575)	**(335,967)**
Benefit obligation at end of year	**628,232**	586,319	**5,235,266**
Change in plan assets:			
Fair value of plan assets at beginning of year	**260,244**	262,250	**2,168,700**
Actual return on plan assets	**(29,522)**	(14,306)	**(246,017)**
Employer contributions	**19,756**	21,908	**164,634**
Plan participants' contributions	**3,490**	4,026	**29,083**
Benefits paid	**(17,508)**	(13,634)	**(145,900)**
Fair value of plan assets at end of year	**236,460**	260,244	**1,970,500**
Funded status:			
Benefit obligation in excess of plan assets	**391,772**	326,075	**3,264,766**
Unrecognized net transition obligation at date of adoption	**(2,195)**	(3,018)	**(18,292)**
Unrecognized prior service cost	**12,482**	12,811	**104,017**
Unrecognized actuarial loss	**(282,547)**	(221,070)	**(2,354,558)**
Net amount recognized	**119,512**	114,798	**995,933**
Reconciliation to accrued pension liability:			
Amount included in accumulated other comprehensive income, gross of tax	**184,086**	119,060	**1,534,050**
Accrued pension liability recognized in the consolidated balance sheets	**¥303,598**	¥233,858	**$2,529,983**

Severance and pension costs of the Company and its principal domestic subsidiaries included the following components for the years ended March 31, 2003, 2002 and 2001:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Service cost	**¥23,902**	¥20,428	¥22,169	**$199,183**
Interest cost	**20,349**	20,699	19,917	**169,575**
Expected return on plan assets	**(9,068)**	(10,470)	(11,107)	**(75,567)**
Amortization:				
Net transition obligation at date of adoption	**824**	824	824	**6,867**
Prior service cost	**(329)**	187	847	**(2,742)**
Actuarial losses	**10,829**	6,117	2,525	**90,242**
Net periodic benefit cost	**¥46,507**	¥37,785	¥35,175	**$387,558**

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Discount rate	**2.75–3.0%**	3.0–3.5%	3.0–4.0%
Long-term rate of salary increase	**2.9%**	2.9%	3.0%
Long-term rate of return on fund assets	**3.0–3.5%**	3.0–4.0%	3.0–4.0%

9 STOCK OPTION PLANS

The Company has three stock option plans to provide for grants of options to purchase shares of common stock for all its directors, officers and certain key employees. The 2002, 2001 and 2000 Stock Incentive Plan authorizes the issuance of options to purchase up to 1,800,000, 1,029,000 and 1,053,000 shares of common stock, respectively. The options granted are vested over two years and are exercisable over a maximum of two years after the options are vested.

A summary of stock option plan activity for the years ended March 31, 2003, 2002 and 2001 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price	
		Yen	U.S. Dollars
Options outstanding at April 1, 2000	—	—	
Granted	1,046,000	¥977	
Exercised	—	—	
Canceled	(17,000)	977	
Options outstanding at March 31, 2001	1,029,000	977	
Granted	1,029,000	826	
Exercised	—	—	
Canceled	(17,000)	826	
Options outstanding at March 31, 2002	2,041,000	902	
Granted	1,493,000	558	$4.65
Exercised	—	—	—
Canceled	—	—	—
Options outstanding at March 31, 2003	**3,534,000**	**¥757**	**$6.31**
Options exercisable:			
March 31, 2001	**—**	**—**	
March 31, 2002	**—**	**—**	
March 31, 2003	**1,029,000**	**¥977**	**$8.14**

The following table summarizes information about stock options outstanding at March 31, 2003:

	Options Outstanding				Options Exercisable		
	Number	Weighted Average Remaining	Weighted Average Exercise Price Share		Number	Weighted Average Exercise Price Share	
Range of Exercise Prices	Outstanding	Contractual Life	Yen	U.S. Dollars	Exercisable	Yen	U.S. Dollars
¥826 to ¥977	2,041,000	1.6	¥902	$7.52	1,029,000	¥977	$8.14
¥558	1,493,000	2.0	558	4.65	—	—	—
	3,534,000	1.8	¥757	$6.31	1,029,000	¥977	$8.14

The weighted average fair values per share at the date options granted during the years ended March 31, 2003, 2002 and 2001 were ¥119 ($0.99), ¥223 and ¥295, respectively. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Risk-free interest rate	**0.29%**	0.32%	1.06%
Expected life	**4 years**	4 years	4 years
Expected volatility	**43.00%**	41.00%	39.00%
Expected dividend	**1.27%**	0.77%	0.61%

Sanyo Electric Credit Co., Ltd. has a stock option plan to provide for grants of options to purchase shares of common stock for all its directors and certain key employees of the company. The 2002 Stock Incentive Plan authorizes the issuance of options to purchase up to 350,000 shares of common stock. The options granted are vested over two years and are exercisable over a maximum of three years after the options are vested.

A summary of stock option plan activity for the year ended March 31, 2003 is as follows:

	Number of Options (Shares)	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life
		Yen	U.S. Dollars	
Options outstanding at March 31, 2002:				
Granted	329,500	¥3,104	$25.87	
Exercised	—	—	—	
Canceled	—	—	—	
Options outstanding at March 31, 2003	**329,500**	**¥3,104**	**$25.87**	**3.0**
Option exercisable:				
March 31, 2003	**—**	**—**	**—**	**—**

The weighted average fair value per share at the date of grant for options during the year ended March 31, 2003 was ¥781 ($6.51). The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003
Risk-free interest rate	0.42%
Expected life	5 years
Expected volatility	37.50%
Expected dividend	1.11%

Pro Forma Fair Value Information

Sanyo has elected to account for its stock option plan under APB No. 25, as SFAS No. 123 permits a company in determining its net income to continue to apply APB No. 25 to its stock-based compensation arrangement. Under APB No. 25, no compensation expense is recognized because the option exercise price is not lower than the fair market price of the common stock on the date of grant. Had compensation expense been determined as prescribed by SFAS No. 123, Sanyo's pro forma net income and earnings per share for the years ended March 31, 2003, 2002 and 2001 would have been as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Income (loss) before cumulative effect of accounting change, as reported	**¥(72,817)**	¥2,904	¥42,201	**$(606,808)**
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(259)**	(236)	(113)	**(2,159)**
Pro forma income (loss) before cumulative effect of accounting change	**(73,076)**	2,668	42,088	**(608,967)**
Cumulative effect of accounting change	—	(1,177)	—	**—**
Pro forma net income (loss)	**¥(73,076)**	¥1,491	¥42,088	**$(608,967)**

	Yen			U.S. Dollars
	2003	2002	2001	**2003**
Basic income per share:				
Income (loss) before cumulative effect of accounting change:				
As reported	**¥(39.1)**	¥1.5	¥22.6	**$(0.326)**
Pro forma	**(39.2)**	1.4	22.5	**(0.327)**
Net income (loss):				
As reported	**(39.1)**	0.9	22.6	**(0.326)**
Pro forma	**(39.2)**	0.8	22.5	**(0.327)**
Diluted income per share:				
Income (loss) before cumulative effect of accounting change:				
As reported	**(39.1)**	1.5	22.1	**(0.326)**
Pro forma	**(39.2)**	1.4	22.1	**(0.327)**
Net income (loss):				
As reported	**(39.1)**	0.9	22.1	**(0.326)**
Pro forma	**(39.2)**	0.8	22.1	**(0.327)**

10 COMMITMENTS AND CONTINGENT LIABILITIES

Substantially all of Sanyo's rental expenses relate to operating leases for office space, warehouses, etc. Such leases are customarily renewed; however, total rental expenses are not significant. Commitments outstanding at March 31, 2003 for purchase of property, plant and equipment approximated ¥3,467 million ($28,892 thousand).

Contingent liabilities at March 31, 2003 for notes discounted in the ordinary course of business, consumer loans guaranteed by a financing subsidiary and other loans guaranteed amounted to ¥1,787 million ($14,892 thousand), ¥106,185 million ($884,875 thousand) and ¥71,459 million ($595,492 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

The Company and its subsidiaries are defendants in several lawsuits. In the opinion of management, these lawsuits are without merit and will not materially affect Sanyo's operations or financial position.

11 FINANCIAL INSTRUMENTS

Sanyo used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and finance receivables, short-term borrowings and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is estimated based on quoted market prices. (See Note 6.)

(c) Investments and advances

The fair value of certain investments is estimated based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (See Note 6.)

(d) Long-term debt

The fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using an appropriate current discount rate.

(e) Foreign currency exchange forward contracts

The fair value of foreign currency exchange forward contracts is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on discounted cash flows using current interest and exchange rates.

Sanyo does not hold or issue any financial instruments for trading purposes.

Although Sanyo may be exposed to losses in the event of nonperformance by counterparties or interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2003 and 2002 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2003		2002		**2003**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:						
Liabilities:						
Long-term debt	**¥583,556**	**¥672,798**	¥547,620	¥621,801	**$4,862,967**	**$5,606,650**

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

12 DERIVATIVES AND HEDGING

Risk management policy

Sanyo operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. Sanyo's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. Sanyo utilizes certain derivatives to manage its foreign currency and interest risk exposure, including forecasted transactions. Sanyo holds derivatives for purposes other than trading.

Foreign currency exchange risk management

Sanyo maintains a foreign-currency risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign forward contracts and foreign currency swaps are not designated and qualified as hedge transactions since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gain or loss arising from denominated net foreign currency assets and liabilities are reported as foreign currency transaction gains or losses in the consolidated statements of income.

Interest rate risk management

Sanyo maintains an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. Sanyo's goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible.

Fair value hedges

Sanyo uses interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, Sanyo agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

The fair value of derivatives and changes in the fair value of the underlying hedged items are reported in the balance sheets. Changes in the fair value of these derivatives and underlying hedged items are generally offset and are recorded in each period as an interest expense. There were no transactions that ceased to qualify as fair value hedges for the year ended March 31, 2003.

Cash flow hedges

Sanyo has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

For these cash flow hedge transactions, the fair values of the derivatives are recorded in the balance sheets. The effective portion of changes in the fair values of these derivatives are first recorded in other comprehensive loss and are then reclassified as an interest expense in the period in which earnings are impacted by the hedged items. There were no transactions that ceased to qualify as cash flow hedges for the year ended March 31, 2003. The ineffective portions recorded as an interest expense in the current period were not material. Assuming that the market rate remains the same as the rate at March 31, 2003, a ¥471 million ($3,925 thousand) loss, included in other comprehensive loss, net of taxes and minority interests of ¥1,028 million ($8,567 thousand), is expected to be recognized in earnings over the next twelve months. The maximum term over which Sanyo is hedging exposure to the variability of cash flows is eight years.

13 STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of new shares issued upon conversion to common stock of convertible debt is required to be capitalized as stated capital, although the Company may, by resolution of its Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Code provides that an amount equivalent to at least 10% of cash appropriations of retained earnings be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equals 25% of a company's stated capital. The legal reserve of Sanyo, amounting to ¥35,336 million ($294,467 thousand) and ¥34,940 million, was included in retained earnings at March 31, 2003 and 2002, respectively.

14 INCOME TAXES

Sanyo is subject to a number of different income taxes which, in aggregate, indicated a statutory income tax rate in Japan of approximately 42% for the years ended March 31, 2003, 2002 and 2001.

As a result of the Japanese Tax Reform Acts, enacted on March 31, 2003, the Companies' statutory income tax rate for the year ending March 31, 2005 will be decreased to 40.5%. The deferred tax assets and liabilities (non-current) at March 31, 2003 were adjusted to reflect the revised tax rates.

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Statutory income tax rate	**42.0%**	42.0%	42.0%
(Decrease) increase in taxes resulting from:			
Change in valuation allowance	**(10.6)**	53.6	(6.6)
Effect of change in statutory tax rate	**(7.7)**	—	—
Expenses not deductible for tax purposes	**(0.7)**	14.3	0.8
Tax credits	**0.1**	(7.5)	(1.5)
Differences in statutory tax rates of foreign subsidiaries	**1.7**	(46.6)	(3.2)
Other	**(8.8)**	17.1	4.0
Effective income tax rate	**16.0%**	72.9%	35.5%

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred income tax assets:			
Accrued pension and severance costs	**¥110,254**	¥ 83,629	**$ 918,784**
Accrued expenses	**10,891**	19,630	**90,758**
Operating loss carryforwards	**35,175**	31,161	**293,125**
Inventories	**4,626**	4,907	**38,550**
Allowance for doubtful accounts	**11,936**	8,264	**99,467**
Property, plant and equipment	**9,081**	7,636	**75,675**
Enterprise taxes	**1,088**	1,036	**9,067**
Long-term investments	**47,719**	31,185	**397,658**
Other	**22,313**	15,325	**185,941**
Gross deferred income tax assets	**253,083**	202,773	**2,109,025**
Less, valuation allowance	**(25,360)**	(28,028)	**(211,333)**
Total deferred income tax assets	**227,723**	174,745	**1,897,692**
Deferred income tax liabilities:			
Deferred income	**(9,287)**	(7,927)	**(77,391)**
Deferred expenses	**(371)**	(506)	**(3,092)**
Other	**(1,067)**	(1,947)	**(8,892)**
Gross deferred income tax liabilities	**(10,725)**	(10,380)	**(89,375)**
Net deferred income tax assets	**¥216,998**	¥164,365	**$1,808,317**

Net changes in the total valuation allowance for the years ended March 31, 2003 and 2002 were a decrease of ¥2,668 million ($22,233 thousand) and an increase of ¥2,446 million, respectively.

Operating loss carryforwards of consolidated subsidiaries at March 31, 2003 amounted to approximately ¥86,673 million ($722,275 thousand) and are available for offset against future taxable income of such subsidiaries. These will expire mainly in the periods from 2004 through 2047.

15 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2003, 2002 and 2001 were ¥120,833 million ($1,006,942 thousand), ¥107,044 million and ¥108,842 million, respectively.

16 (LOSS) INCOME PER SHARE

(Loss) income per share for the years ended March 31, 2003, 2002 and 2001 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Basic income per share calculation:				
Income (numerator):				
Net (loss) income	**¥(72,817)**	¥1,727	¥42,201	**$(606,808)**
Shares, thousands (denominator):				
Weighted average number of shares	**1,863,198**	1,870,510	1,871,376	
Basic (loss) income per share (yen and U.S. dollars)	**¥ (39.1)**	¥ 0.9	¥ 22.6	**$ (0.326)**
Diluted income per share calculation:				
Income (numerator):				
Net (loss) income	**¥(72,817)**	¥1,727	¥42,201	**$(606,808)**
Interest on convertible bonds, net of tax	**—**	—	517	**—**
Adjusted net (loss) income	**¥(72,817)**	¥1,727	¥42,718	**$(606,808)**
Shares, thousands (denominator):				
Weighted average number of shares	**1,863,198**	1,870,510	1,871,376	
Assumed conversion of convertible bonds	**—**	—	57,590	
Adjusted weighted average number of shares	**1,863,198**	1,870,510	1,928,966	
Diluted (loss) income per share (yen and U.S. dollars)	**¥ (39.1)**	¥ 0.9	¥ 22.1	**$ (0.326)**

The calculation of the weighted average number of shares for diluted income per share for the years ended March 31, 2003 and 2002 did not include incremental shares of 48,146 thousand and 57,586 thousand, respectively, from assumed conversions of convertible bonds since their effects were antidilutive.

The matter that can potentially dilute income per share in the future is the increase of shares of common stock not only by the conversion of convertible bonds but also by the exercise of stock option plans.

17 SUPPLEMENTARY CASH FLOW INFORMATION

Supplementary information relating to the statements of cash flows for the years ended March 31, 2003, 2002, and 2001 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	**2003**
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	**¥16,698**	¥21,405	¥24,307	**$139,150**
Income taxes	**25,062**	27,513	37,154	**208,850**
Conversion of convertible bonds issued by a consolidated subsidiary	**2**	205	502	**17**

PRICEWATERHOUSECOOPERS

To the Stockholders and the Board of Directors
SANYO Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2003 and 2002 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information relating to segments of a business enterprise required to be disclosed in financial statements by Statement of Financial Accounting Standards No. 131 under accounting principles generally accepted in the United States of America is not presented in the accompanying financial statements.

In our opinion, except for omission of the information as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SANYO Electric Co., Ltd. and Subsidiaries at March 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, SANYO Electric Co., Ltd. and Subsidiaries changed the method of accounting for derivative instruments and hedging activities for the year ended March 31, 2002.

PricewaterhouseCoopers

Osaka, Japan
June 20, 2003

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 27, 2003)

Executive Directors

Chairman
Satoshi Iue

President
Yukinori Kuwano

Executive Directors
Toshimasa Iue
Yoichiro Furuse

Directors
Nobuaki Kumagai
Tomoyo Nonaka
Louis E. Lataif
Sadao Kondo
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki
Tadahiko Tanaka

Corporate Executive Auditors

Ryota Tominaga
Takeshi Inoue

Corporate Auditors

Sotoo Tatsumi
Hiroshi Toda

OFFICERS

(As of June 27, 2003)

Chairman & CEO
Satoshi Iue

President & COO
Yukinori Kuwano

Executive Vice President & CMO
Toshimasa Iue

Executive Vice President & CFO
Yoichiro Furuse

Executive Officers
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki
Tadahiko Tanaka

Senior Officers
Yasusuke Tanaka
Fusao Terada
Satoshi Inoue
Osamu Kajikawa
Hiroshi Ono

Officers
Akira Kan
Akiyoshi Takano
Tadao Shimada
Shosaku Kurome
Teruo Tabata
Mitsuru Honma
Shinichi Miki
Hideo Yamase
Toshiaki Iue
Takenori Ugari
Shinya Tsuda
Itsuo Nakamura
Keiichi Yodoshi
Kenzo Kurokawa
Yoshio Iwasa
Nobuaki Matsuoka
Takuya Kobayashi
Tsutomu Nozaki
Michihiro Shigeta
Tsutomu Asano
Kohei Wakayama
Katsuhisa Kawashima

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2003)

SANYO Electric Credit Co., Ltd.
Principal Business: Installment Sales, Leasing, and Financing

Tottori SANYO Electric Co., Ltd.
Principal Business: Manufacture and Sales of Electronic Parts

Niigata SANYO Electronic Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Electric Air Conditioning Co., Ltd.
Principal Business: Manufacture and Sales of Air Conditioners

SANYO Telecommunications Co., Ltd.
Principal Business: Manufacture, Sales, and Installation of Telecommunications Equipment

SANYO Sales & Marketing Corporation
Principal Business: Sales, Export, and Import of Electrical and Electronic Products

KANTO SANYO Semiconductors Co., Ltd.
Principal Business: Manufacture and Sales of Semiconductors

SANYO Electric Commercial Equipment Co., Ltd.
Principal Business: Sales and Installation of Refrigerators/Freezers and Kitchen Appliances

SANYO Semicon Device Co., Ltd.
Principal Business: Sales of Semiconductors

SANYO North America Corporation
Principal Business: Sales of Electrical Equipment and Local General Businesses

SANYO Manufacturing Corporation
Principal Business: Manufacture and Sales of Color TVs and Others Products

SANYO Energy (U.S.A.) Corporation
Principal Business: Manufacture and Sales of Batteries

SANYO Electric (Hong Kong) Limited
Principal Business: Sales of Electrical Equipment

SANYO Semiconductor (H.K.) Co., Ltd.
Principal Business: Sales of Semiconductors

(The Company has a total of 117 consolidated subsidiaries—57 in Japan and 60 overseas.)

PRINCIPAL OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of March 31, 2003)

★Manufacturing Companies
●Sales Companies
■Other Companies

NORTH AMERICA

★SANYO Laser Products, Inc., *Richmond, Indiana, U.S.A.*
★SANYO E & E Corporation, *San Diego, California, U.S.A.*
★SANYO Energy (U.S.A.) Corporation, *San Diego, California, U.S.A.*
★SANYO Video Components (U.S.A.) Corporation, *San Diego, California, U.S.A.*
★Solec International, Inc., *Carson, California, U.S.A.*
★SANYO GS Soft Energy USA Inc., *Irvine, California, U.S.A.*
★SANYO Manufacturing Corporation, *Forrest City, Arkansas, U.S.A.*
★MABE SANYO Compressors S.A. de C.V., *Sanluis Potosí, Mexico*
●SANYO Semiconductor Corporation, *Allendale, New Jersey, U.S.A.*
●SANYO Semiconductor Distribution (USA) Corporation, *Norwood, New Jersey, U.S.A.*
●SANYO Canada Inc., *Concord, Ontario, Canada*
■SANYO Electric Finance (USA) Corporation, *New York, New York, U.S.A.*
■Three Oceans Inc., *New York, New York, U.S.A.*
■SANYO Automotive U.S.A., Inc., *Detroit, Michigan, U.S.A.*
■SANYO North America Corporation, *San Diego, California, U.S.A.*
■SANYO Customs Brokerage, Inc., *San Diego, California, U.S.A.*
■SANYO Logistics Corporation, *Torrance, California, U.S.A.*
■SANYO Energy, S.A. de C.V., *Tijuana, Mexico*
■SANYO Customs Brokerage S.A. de C.V., *Tijuana, Mexico*
■SANYO Video Components S.A. de C.V., *Tijuana, Mexico*

SOUTH AMERICA

★NEWSAN S.A., *Buenos Aires, Argentina*
★SANYO da Amazônia S.A., *Manaus, Brazil*

EUROPE

★SANYO Energy (Europe) Corporate GmbH, *München, Germany*
★SANYO Industries (U.K.) Limited, *Lowestoft, United Kingdom*
★SANYO Gallenkamp PLC, *Loughborough, United Kingdom*
★SANYO España, S.A., *Barcelona, Spain*
★SANYO Hungary Kft., *Lörrach, Hungary*
★Dioss Nýřany a.s., *Nýřany, Czech Republic*
★SANYO Argo Clima S.r.l., *Gallarate, Italy*
●SANYO FISHER Sales (Europe) GmbH, *München, Germany*
●SANYO Büro-Electronic Europa-Vertrieb GmbH, *München, Germany*
●SANYO Semiconductor (Europe) GmbH, *Schwalbach, Germany*
●SANYO Energy (UK) Company Limited, *Hemel Hempstead, United Kingdom*
●SANYO Speachtek Limited, *Watford, United Kingdom*
●SANYO Gallenkamp B.V., *Breda, Netherlands*
●SANYO Airconditioners Europe S.r.l., *Milano, Italy*
●SANYO Portugal Electronica S.A., *Rio de Mouro, Portugal*
■SANYO Europe Ltd., *Watford, United Kingdom*
■SANYO Electric International Finance (UK) PLC, *Watford, United Kingdom*

■ SANYO Electric Finance Netherlands B.V., *Amsterdam, Netherlands*

■ SANYO Electric Service (Europe) Ag., *Basel, Switzerland*

AFRICA

● SANYO ARMCO (Kenya) Limited, *Nairobi, Kenya*

● SANYO South Africa (Pty) Ltd., *Sandton, South Africa*

ASIA

★Korea TT Co., Ltd., *Masan, Korea*

★Korea Tokyo Electronic Co., Ltd., *Masan, Korea*

★Korea Tokyo Silicon Co., Ltd., *Masan, Korea*

★Shenyang SANYO Airconditioner Co., Ltd., *Shenyang, China*

★Dalian SANYO Home Appliance Co., Ltd., *Dalian, China*

★Dalian SANYO Cold-Chain Co., Ltd., *Dalian, China*

★Dalian SANYO Food Systems Co., Ltd., *Dalian, China*

★Dalian Bingshan Metal Processing Co., Ltd., *Dalian, China*

★Dalian Meica Electronics Co., Ltd, *Dalian, China*

★Dalian SANYO Compressor Co., Ltd., *Dalian, China*

★Dalian SANYO Refrigeration Co., Ltd., *Dalian, China*

★Dalian SANYO Air Conditioner Co., Ltd., *Dalian, China*

★Dalian Honjo Chemical Corporation, *Dalian, China*

★SANYO Energy (Beijing) Co., Ltd., *Beijing, China*

★Tianjin SANYO Telecommunication Equipment Co., Ltd., *Tianjin, China*

★Tianjin Lantain SANYO Energy Co., Ltd., *Tianjin, China*

★Qingdao SANYO Electric Co., Ltd., *Qingdao, China*

★SANYO GS Battery (Shanghai) Ltd., *Shanghai, China*

★SANYO Electric Home Appliances (Suzhou) Co., Ltd., *Suzhou, China*

★Suzhou SANYO Electro-Mechanical Co., Ltd., *Suzhou, China*

★Suzhou SANYO Semiconductor Co., Ltd., *Suzhou, China*

★SANYO Energy (Suzhou) Co., Ltd., *Suzhou, China*

★Hefei Rongshida SANYO Electric Co., Ltd., *Hefei, China*

★Tesonic-Tottori SANYO Electric Co., Ltd., *Guangzhou, China*

★Dongguan Huaqiang SANYO Electronics Co., Ltd., *Dongguang, China*

★Dongguan Huaqiang SANYO Motor Co., Ltd., *Dongguang, China*

★Guangdong SANYO Air Conditioner Co., Ltd., *Foshan, China*

★Shenzhen SANYO Huaqiang Optical Technology Co., Ltd., *Shenzhen, China*

★SANYO Semiconductor (Shekou) Ltd., *Shenzhen, China*

★SANYO Electric (Shekou) Ltd., *Shenzhen, China*

★Shenzhen SANYO Huaqiang Energy Co., Ltd., *Shenzhen, China*

★Tottori SANYO Electric (Shenzhen) Co., Ltd., *Shenzhen, China*

★SANYO Optronics (Hong Kong) Company Limited, *Hong Kong*

★SANYO Semiconductor Electronics (H.K.) Co., Ltd., *Hong Kong*

★SANYO Energy (Hong Kong) Company Limited, *Hong Kong*

★Tottori SANYO Electric (Hong Kong) Limited, *Hong Kong*

★SANYO Electric (Taiwan) Co., Ltd., *Taipei, Taiwan*

★SANYO Energy (Taiwan) Co., Ltd., *Taipei, Taiwan*

★SANYO Electronic (Taichung) Co., Ltd., *Taichung, Taiwan*

★FMS Audio Sdn. Bhd., *Penang, Malaysia*

★SANYO Electric (Penang) Sdn. Bhd., *Penang, Malaysia*

★SANYO Pt (M) Sdn. Bhd., *Johor, Malaysia*

★P.T. SANYO Energy (Batam) Corporate, *Batam Island, Indonesia*

★P.T. SANYO Electronics Indonesia, *Bekasi, Indonesia*

★P.T. SANYO Compressor Indonesia, *Bekasi, Indonesia*

★P.T. Jaya Indah Casting, *Bekasi, Indonesia*

★P.T. SANYO Industries Indonesia, *Jakarta, Indonesia*

★P.T. SANYO Jaya Components Indonesia, *Bogor, West Java, Indonesia*

★BPL SANYO Limited, *Bangalore, India*

★SANYO Semiconductor Manufacturing Philippines Corporation, *Tarlac, Philippines*

★SANYO Capacitor (Philippines) Corporation, *Tarlac, Philippines*

★SANYO (Philippines), Inc., *Metro Manila, Philippines*

★Sanwa Electric Philippines, Inc., *Cavite, Philippines*

★Tottori SANYO Electric (Philippines) Corporation, *Cavite, Philippines*

★SANYO Semiconductor (Thailand) Co., Ltd., *Utai, Thailand*

★SANYO Universal Electric Public Co., Ltd., *Bangkok, Thailand*

★SANYO Industries (Singapore) Private Limited, *Singapore*

★SANYO Precision Singapore Pte., Ltd., *Singapore*

★SANYO Airconditioners Manufacturing Singapore Pte., Ltd., *Singapore*

★SANYO Home Appliance Vietnam Corporation, *Bien Hoa, Vietnam*

★Meica Technology (Vietnam) Co., Ltd., *Ho Chi Minh, Vietnam*

● SANYO Electric International Trading Co., Ltd., *Shanghai, China*

● SANYO Sales and Marketing (Shenzhen) Corporation, *Shenzhen, China*

● SANYO Commercial Refrigeration International Co., Ltd., *Hong Kong*

● SANYO Semiconductor (H.K.) Co., Ltd., *Hong Kong*

● O.S. Electronics (H.K.) Ltd., *Hong Kong*

● SANYO Electronic Components (HK) Ltd., *Hong Kong*

● SANYO Semiconductor Taipei Co., Ltd., *Taipei, Taiwan*

● O.S. Semiconductor Co., Ltd., *Taipei, Taiwan*

● SANYO Sales and Service Sdn. Bhd., *Petaling Jaya, Malaysia*

● SANYO SMI Thailand Co., Ltd., *Bangkok, Thailand*

● SANYO (Thailand) Co., Ltd., *Bangkok, Thailand*

● SANYO Semiconductor (S) Pte., Ltd., *Singapore*

● O.S. Electronics (S) Pte., Ltd., *Singapore*

● SANYO Energy (Singapore) Corporation Pte., Ltd., *Singapore*

● SANYO Airconditioners (Singapore) Pte., Ltd., *Singapore*

● SANYO Malaysia Sdn. Bhd., *Singapore*

● SANYO Electronic Components (Singapore) Private Limited, *Singapore*

■ Dalian Bingshan SANYO Cleaning Co., Ltd., *Dalian, China*

■ Bonded Area Dalian SANYO Cooling & Heating Technology Co., Ltd., *Dalian, China*

■ Beijing SANYO Cleaning Co., Ltd., *Beijing, China*

■ SANYO Electric (China) Co., Ltd., *Beijing, China*

■ Shanghai SANYO Bubugao Cleaning Co., Ltd., *Shanghai, China*

■ Shanghai Hualeng Refrigeration Engineering, *Shanghai, China*

■ Guangdong Huaqiang SANYO Group Co., Ltd., *Dongguang, China*

■ Shenzhen Huaqiang SANYO Technology Design Co., Ltd., *Shenzhen, China*

■ SANYO Digital Design (Shenzhen) Limited, *Shenzhen, China*

■ SANYO Electric (Hong Kong) Limited, *Hong Kong*

■ P.T. SANYO Precision Batam, *Batam Island, Indonesia*

■ SANYO LSI Technology India Private Limited, *Bangalore, India*

■ BPL SANYO Finance Limited, *Bangalore, India*

■ SSMP Estate Corporation, *Tarlac, Philippines*

■ Sanwa Estate Philippines, Inc., *Cavite, Philippines*

■ Tottori SANYO Electric Philippines Estate Corporation, *Cavite, Philippines*

■ SANYO Asia Pte., Ltd., *Singapore*

■ Nissei SANYO Hitech Service Pte., Ltd., *Singapore*

OCEANIA

● SANYO Australia Pty. Ltd., *Sydney, N.S.W., Australia*

INVESTOR INFORMATION

HEAD OFFICE
5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan
Telephone: +81-6-6991-1181
Facsimile: +81-6-6991-6566 (Corporate Communications Unit)

U.S. CONTACT ADDRESS
SANYO North America Corporation
(Head Office)
2055 Sanyo Avenue, San Diego, CA 92154, U.S.A.
Telephone: +1-619-661-1134
Facsimile: +1-619-661-6795

FOUNDATION
Founded: February 1947 Incorporated: April 1950

COMMON STOCK (As of March 31, 2003)
Authorized: 4,921,196,000 shares Issued: 1,872,338,099 shares

CAPITAL (As of March 31, 2003)
¥172,242,294,083

NUMBER OF STOCKHOLDERS (As of March 31, 2003)
207,528

LISTINGS
Common stock is listed on the Tokyo, Osaka, and three other domestic stock exchanges. Overseas listings are on the Amsterdam, Frankfurt, Swiss, and Paris exchanges. American Depositary Shares for common stock are quoted in the NASDAQ System in the United States.

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd., 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

COMMON STOCK PRICE RANGE
The highs and lows of Sanyo common stock on the Tokyo Stock Exchange for each quarter of fiscal 2003, 2002, and 2001 were as follows:

	Fiscal 2003		Fiscal 2002		Fiscal 2001	
	High	**Low**	High	Low	High	Low
First quarter	**¥633**	**¥488**	¥847	¥717	¥ 966	¥616
Second quarter	**568**	**406**	791	418	990	744
Third quarter	**417**	**264**	706	435	1,060	810
Fourth quarter	**371**	**305**	680	467	996	632

CASH DIVIDENDS
Interim and year-end cash dividends per share paid to stockholders for fiscal 2003, 2002, and 2001 were as follows:

2003-II	**2003-I**	2002-II	2002-I	2001-II	2001-I
¥3.00	**¥3.00**	¥3.00	¥3.00	¥3.00	¥3.00

For further information and additional copies of our annual report and other publications, please write to the Corporate Communications Unit at our head office.

SANYO Electric Co., Ltd.

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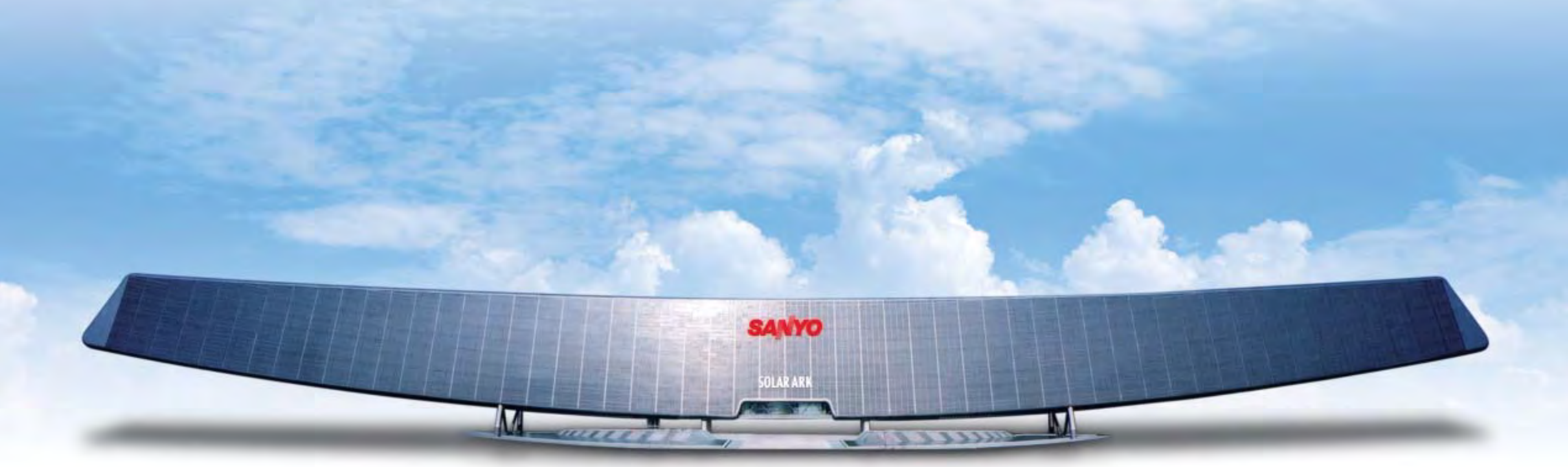
EXHIBIT L

SANYO

Annual Report 2004

For the year ended March 31, 2004



SANYO Electric Co., Ltd.

Profile

SANYO Electric Co., Ltd., was incorporated in 1950. The firm manufactures a broad range of electronic products grouped into six segments: AV/Information and Communications Equipment, Home Appliances, Industrial and Commercial Equipment, Electronic Devices, Batteries, and Others. Sanyo's net sales for the year ended March 31, 2004 (fiscal 2004), amounted to ¥2,508.0 billion (US$23,661 million).

The name Sanyo means "three oceans"— the Pacific, Atlantic, and Indian oceans—and symbolizes the Company's global perspective. The Sanyo Group of companies is truly international, comprising 83 manufacturing companies, 40 sales companies, and 37 other companies around the globe.

Sanyo's strategic business focus is on the Digital & Devices and Energy & Ecology fields. Committed to solving environmental issues, the Company has made the development of technologies with minimal burden on the environment, an area of strength. It emphasizes such technologies as clean-energy generation, rechargeable batteries, and air-conditioning methods that do not require the use of harmful chlorofluorocarbons. Notably, the Company has pioneered the development of successive generations of increasingly efficient solar cells and rechargeable batteries.

In the Digital & Devices field, Sanyo seeks to become a multimedia device powerhouse by developing pioneering technologies to help drive the digital revolution. The Company's digital cameras, liquid crystal display (LCD) projectors, and cellular and Personal Handyphone System (PHS) phones are highly acclaimed.

Cover photo:
Solar Ark, at the Sanyo Gifu Plant, is a large-scale 630 kW photovoltaic power generating system that demonstrates Sanyo's commitment to harmony with the global environment through clean energy. Solar Lab, a solar energy museum in the center of the structure, is open to the public.

Contents

Notice Related to Future Outlook
All statements in this annual report other than past factual matters represent outlooks for projected future results and are in accordance with Sanyo's present plans, outlook, and strategies, based on management judgments in the light of currently available information. Therefore, Sanyo does not guarantee the accuracy and reliability of information it receives and asks that you do not rely on this information alone.

There are various risks and uncertainties related to factors causing changes in business results. The principal factors influencing results include 1) large changes in economic conditions and capital markets as well as changes in consumption in businesses in which Sanyo engages; 2) the effects of changes in the exchange rates between the yen and the dollar as well as the yen and other currencies on Sanyo's international business activities; 3) various trade restrictions in the markets of each country; and 4) Sanyo's ability to provide new technologies, new products, and new services amid rapid technological innovation in information technology (IT), market competition, and price competition. However, it should be noted that factors affecting Sanyo's performance are not limited to these factors and that there are other factors that contain latent risks and uncertainties.

In this annual report, "the Company" refers to SANYO Electric Co., Ltd., and "Sanyo" to SANYO Electric Co., Ltd., and its subsidiaries, unless otherwise specified.

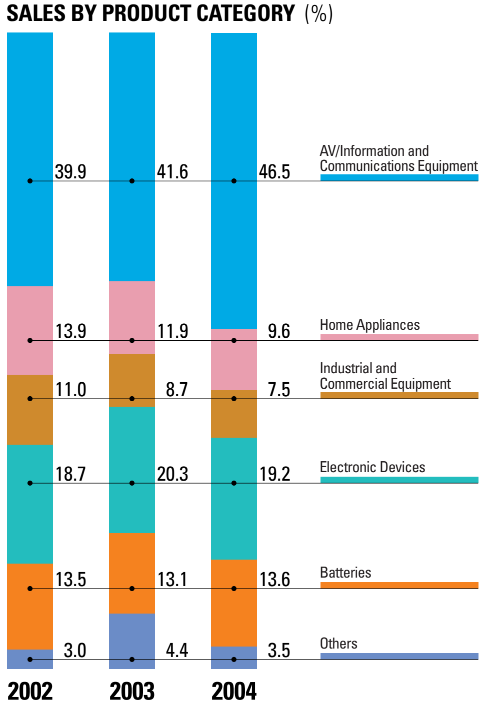
Financial Highlights

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note a)
	2004	2003 Restated (Note b)	2002 Restated (Note b)	**2004**
Net sales	**¥2,508,018**	¥2,182,553	¥2,024,719	**$23,660,547**
Operating income (Note c)	**95,551**	78,299	53,074	**901,424**
Net income (loss)	**13,400**	(61,671)	1,315	**126,415**
Total stockholders' equity	**497,302**	426,026	535,705	**4,691,528**
Total assets	**2,643,627**	2,686,967	2,683,930	**24,939,877**
	Yen			U.S. Dollars (Note a)
Per share (Note d):				
Net income (loss):				
Basic	**¥ 7.2**	¥ (33.1)	¥ 0.7	**$0.068**
Diluted	**7.2**	(33.1)	0.7	**0.068**
Cash dividends declared	**6.0**	6.0	6.0	**0.057**
Per American Depositary Share (Notes d and e):				
Net income (loss):				
Basic	**¥36.0**	¥(165.5)	¥ 3.5	**$0.340**
Diluted	**36.0**	(165.5)	3.5	**0.340**
Cash dividends declared	**30.0**	30.0	30.0	**0.283**

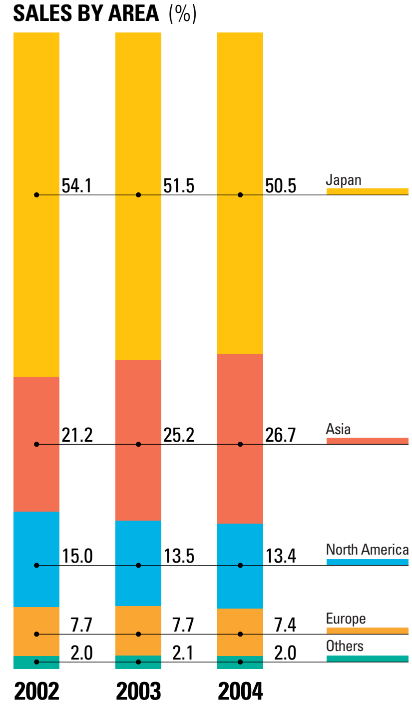
Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004. See Note 2 of Notes to Consolidated Financial Statements.
(b) See Note 3 of Notes to Consolidated Financial Statements.
(c) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare Sanyo's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges—for example, restructuring and impairment charges—are included as part of operating income (loss) in the consolidated statements of income.
(d) See Notes 1 and 18 of Notes to Consolidated Financial Statements.
(e) One American Depositary Share represents five shares of common stock.

SALES BY PRODUCT CATEGORY (%)



Note: This graph shows figures for sales to external customers only.

SALES BY AREA (%)



Note: This graph shows figures for sales to external customers only, according to the geographic regions of customers.

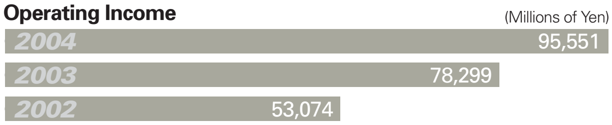
FISCAL 2004 IN REVIEW

Looking back on the economic environment faced by Sanyo during fiscal 2004, ended March 31, 2004, the global economy enjoyed solid growth overall that was underpinned by recovery in the U.S. economy and continued economic expansion in the People's Republic of China. Although there were also definite signs of improvement in Japan's economy, business conditions remained difficult given deflationary pressures and the appreciation of the yen.

Under this environment, Sanyo's consolidated net sales posted double-digit growth of 14.9%, rising to a record ¥2,508.0 billion (US$23,661 million). Operating income* too attained double-digit growth, for the second consecutive year, climbing 22.0%, to ¥95.6 billion (US$901 million), to approach a record level. Net income improved by ¥75.1 billion to move into the black following a loss in fiscal 2003 but was held to ¥13.4 billion (US$126 million) mainly by structural costs and related expenses.

Net Sales (Millions of Yen)

Operating Income (Millions of Yen)



*See footnotes on pages 23 and 24.

Net income per share improved to ¥7.2 (US$0.068), from the loss of ¥33.1 per share in the prior fiscal year. Considering the Company's stock price performance over the fiscal year in review, the increase in net income per share clearly runs counter to investors' expectations. Cash dividends for the fiscal year remained at ¥6.0 per share (US$0.057), reflecting the Company's policy of maintaining stable dividends.

● AV/Information and Communications Equipment, Electronic Devices, and Batteries Segments Perform Well

Sales of digital products, such as the newly launched "Xacti"—the world's smallest digital movie camera—and embedded camera phones, ballooned during the fiscal year. This trend supported firm growth in sales of associated products, including optical pickups, liquid crystal displays (LCDs), charge-coupled devices (CCDs), and other semiconductor-related products. In addition, sales of lithium-ion rechargeable batteries—for which Sanyo has been leading the global market—soared on strong replacement demand for cellular phones. The sales growth in these products continued, producing a substantial leap in operating income by absorbing the impact of declining prices and the appreciation of the yen.

● Picking Up the Pace of Ongoing Structural Reforms in the Home Appliances Segment

The restructuring of our Home Appliances segment and our LCD business are major management issues. During the fiscal year, we upped the pace of the restructuring of our Home Appliances segment. In the latter half of the fiscal year, we ceased producing home appliances at the Hojo Plant, in Hyogo Prefecture, Japan—the cradle of our manufacturing operations—turning instead to having those operations specialize in research and development (R&D). In addition, air-conditioner production at the Tokyo Plant, the Sanyo Group's largest manufacturing facility, was shifted to China. The streamlining and integration of our domestic production of home appliances is almost completed. During this process, the Home Appliances segment has posted operating losses for three consecutive years. Furthermore, we have recorded nonoperating expenses, such as structural reform costs and other financial restructuring costs.

Home Appliances Segment Structural Reforms

The Home Appliances segment has suffered from overdependence on the mature Japanese market, which is buffeted by declining prices brought on by deflation. In addition, Sanyo's strength in overseas markets has been eroded by highly price competitive Korean and Chinese manufacturers. We have, therefore, been reforming the structure of our businesses, centered on the Home Appliances segment, since the latter half of the 1990s. Our efforts have focused on a global reorganization of our production network, shifting production overseas while maintaining a central production and development base in Japan. In fiscal 2004, we concluded restructuring our domestic and overseas production networks. We are confident that Sanyo now has in place a business structure to enable it to shift from a defensive to an expansionary posture based on strategies that target sustained growth.

Creating a strong, highly **competitive** management structure through **aggressive** management reforms

Sanyo's strength lies in technological, production, and sales capabilities and in the brand power that it has developed over the years, especially in the consumer electronics market. The key to reviving our Home Appliances business is to use those capabilities to stimulate customers' needs, to boost sales, and to use those revitalized sales activities to drive product development. We are already making reforms in marketing and merchandising to integrate Home Appliances products and AV/Information and Communications Equipment products. We also will unleash successive launches of high-value-added products that are industry and world firsts—products that have been developed with consumer benefits as their top priority. For example, in June 2004 we began sales in Japan of "steam laundry top open drum" which is the world's first drum-type washing dryer for home-use with steam washing and drying functions. The technology behind this product comes from our industrial and commercial equipment.

Satoshi Iue, Chairman (left), *and Yukinori Kuwano, President, Chief Executive Officer & Chief Operating Officer*

The global consumer electronics market still has strong growth potential. To demonstrate a worldwide presence in that market, Sanyo is selling aggressively in overseas markets. In April 2004, we established Sanyo HA ASEAN Corporation to pursue the expansion of our Home Appliances business in the ASEAN region. The goal of

that company is to raise our brand image in the region and to expand our market share by developing products to meet market preferences. Through these measures, we are working to revitalize and rehabilitate our Home Appliances segment, because this segment holds the key to Sanyo's recovery in profitability in fiscal 2005.

Direction of Our LCD Business

Our LCD business also has been the focus of structural reforms, which are progressing based on a strategy that low-temperature polysilicon thin film transistor (TFT) displays are to be the core of our LCD business, concentrating on small and medium-sized displays. As a result, our LCD business was profitable on an operating income basis during the fiscal year under review.

In pursuing our aim of becoming the world's top manufacturer of small and medium-sized liquid crystal panels, we reached an agreement with Seiko Epson Corporation in March 2004 to form a joint venture in the LCD business.

Stockholders' Equity

At March 31, 2004, total consolidated stockholders' equity stood at ¥497.3 billion (US$4,692 million), down ¥87.2 billion from three years ago. Over the last three years, total operating income amounted to ¥226.9 billion (US$2,141 million), compared with the cumulative net loss of ¥47 billion (US$443 million). As mentioned earlier, this was mainly due to the costs associated with the structural reforms that we have undertaken to improve our profit structure and to the financial restructuring needed to strengthen our balance sheet. During a three-year period, we have achieved a decisive improvement in our balance sheet, downsizing assets by cutting inventories and selling assets and reducing debt and pension plan obligations by reforming our pension plan system. Over the last three years, we have cut our total assets by ¥232.6 billion, to ¥2,643.6 billion (US$24,940 million).

At the end of the fiscal year under review, our total debt amounted to ¥1,109.5 billion (US$10,467 million), of which about ¥300 billion (US$2,830 million) was related to our financial services. This represented a ¥34.4 billion contraction from a year earlier. We are committed to accelerating our efforts and to being unrelenting in our achievement of the necessary reforms for further improvement.

STOCKHOLDER VALUE

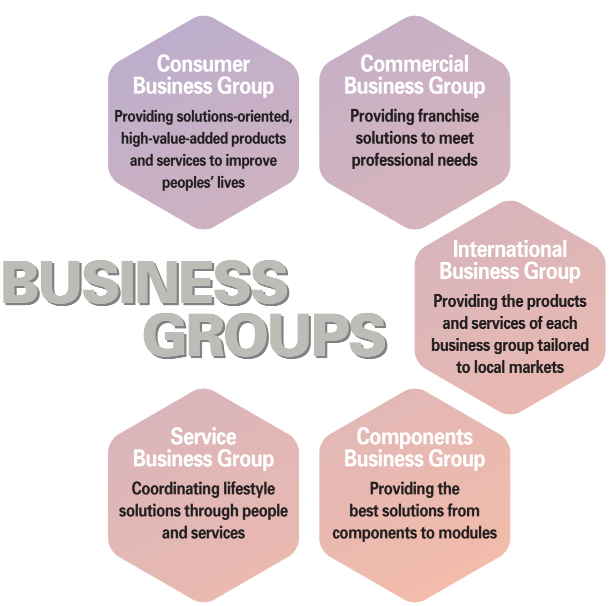
Sanyo is in a strong position in the digital camera market. Our digital camera operations got under way in 1995 as an OEM business. By fiscal 2003, our sales of digital cameras had expanded to approximately ¥220 billion (US$2,075 million), becoming one of the main drivers of profit growth at Sanyo. Other digital products—cellular phones and LCD projectors—and such related electronic devices as optical pickups, semiconductors, and battery products have also contributed to our growth. In other words, the use of our world-class Digital & Devices (D&D) technology in Sanyo's business fields has substantially transformed our profit structure. And we have taken advantage of the period of stable growth provided by our D&D business to carry out a major restructuring of our unprofitable operations over the past few years to achieve a better balance in our overall profit structure. We now plan to use another core technology, Energy & Ecology (E&E), in other business fields, to further boost profitability. In the E&E field, we have high expectations for the profit contribution from our solar cells and from our rechargeable batteries for hybrid electric vehicles (HEVs) in the next few years.

Structural reforms result in better profit structures, and we intend to use that transformation to raise our profit level and to build stockholder value. In addition, we are building cash by boosting our accumulated earnings through debt reduction. This cash is being reinvested and eventually will be returned to stockholders. Also, we are

taking measures to increase our brand value. More importantly, we are committed to satisfying our stockholders by improving our quality of earnings. For that purpose, we have set our return on equity (ROE) target at 10%.

MANAGEMENT REFORMS

The globalization of economies and the advent of the ubiquitous network society are today's megatrends. Many companies are being weeded out of the market by competition, but this also means that opportunities for business expansion are increasing. To survive global competition and to increase our profitability, we initiated sweeping reforms in our management organization in April 2003. The concept behind these reforms is to establish a company where individual management units are responsible for maximizing their expertise and for making their businesses resilient and successful. Our efforts in this respect are groupwide and founded on a unified strategy and the shared goal of leveraging Group power to increase stockholder value. We have introduced the Business Group system and the Business Unit system to put this concept into effect.



Business Group System

We have reorganized Sanyo's business lines into a customer-oriented Business Group structure. Initially, we divided the Company into four Business Groups: Consumer, Commercial, Components, and Service. Each Business Group is fully responsible for its operations and aims to develop comprehensive strength. Our LCD business, for example, was reorganized into the Components Business Group. In the year under review, it integrated itself with the semiconductor business and combined its global marketing efforts with our batteries business to achieve collectively driven benefits from structural reforms.

In April 2004, we added the International Business Group, which focuses on developing business overseas. By integrating our overseas operations, Sanyo will strengthen its international presence.

Business Unit System

A further division of our Business Groups by product and function yields our Business Units (BUs). This is a simple but effective structure for unifying a group of employees and motivating them to work toward a specific goal. In April 2003, we had 274 BUs. A further clarification of roles and directions left us with 451 BUs in April 2004.

A strategy of being selective and focused in our use of business resources underlies our nearly 10 years of restructuring. We implemented this strategy in the belief that if we were not selective and focused it was unlikely that Sanyo would survive heightened global competition. For this reason, we have concentrated our efforts on products that have top shares globally. Mergers and acquisitions (M&A) and divestitures have played an active role in furthering our efforts. For example, in 2001 we acquired a nickel-metal-hydride battery business, and in 2002 we sold our electric vending machine business.

The strategy of being selective and focused is popular among corporations in Japan. But what is important is whether or not you

have a unit of measurement for determining the effectiveness of the strategy. At Sanyo, we use profitability and growth as our evaluation standards. The Business Unit is the smallest unit to which we apply that measure, which we view as business portfolio management that includes economic value-added (EVA) assessment. During the fiscal year, as a result of a strict assessment of investments at the BU level, we recorded an evaluation loss on investment securities. Making additional progress with the establishment of our two-layered system of management involves plans to raise the quality of our management.

CORPORATE GOVERNANCE

Corporate managements' social fairness and responsibility for business conduct and consideration of the environment are being called into question today like never before. Socially responsible investment (SRI) funds that select stocks for investment based on high standards of social responsibility reflect this trend and are becoming popular investment vehicles. At Sanyo, we aim for continuously better performances in business, in social responsibility, and in environmental preservation. The Sanyo Group is pursuing corporate social responsibility (CSR) as a core management strategy. Our CSR management is based on three policies: strengthening corporate governance, achieving progress in environmental management, and of course strict adherence to our "Quality is First" policy.

Sanyo began improving its corporate governance in 1999. It appointed outside directors and introduced an officer system to clearly separate the roles of management and business execution. We took these steps early relative to other Japanese companies. Specifically, we set up six committees under our board of directors. They include outside directors and experts to ask for their advice in relation to our management such as internal monitoring and the nomination and compensation of directors and auditors. In these and other measures, we were one of the earliest companies in Japan to begin increasing management efficiency and upgrading corporate governance over a broad scope of activities. In April 2004, we enhanced the transparency of our management by again revising our board of directors. We separated the functions of supervision and management execution among a new board of 12 members, 6 of whom have no overlapping business execution responsibilities. We also have been implementing groupwide measures to tighten our compliance and made progress in our environmental preservation activities. Also in April 2004, we set up a section specializing in CSR within our head office to integrate our CSR activities into management.

To advance our environmental preservation activities, we have established an environmental management system. We are, moreover, taking steps to boost our readiness to comply with environmental laws and regulations by conducting green procurement through global supply chain management (SCM).

In realizing our "Quality is First" policy, we are reminded that quality is the source of our customers' trust in us, which, in turn, is the source of our earnings. We are rigorous in enforcing this policy and in reviewing our quality management program. "Quality is First" is our basic principle. And we strive painstakingly to achieve quality in our products and in our business and management pursuits, always conscious of the importance of stakeholders' confidence in Sanyo to increasing our brand value.

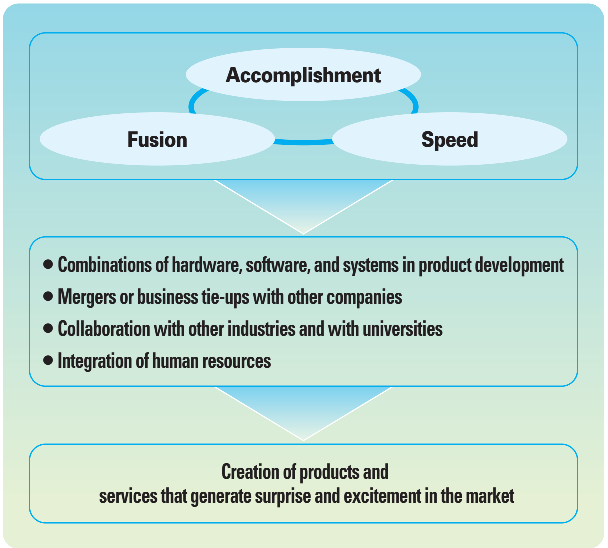
PERSPECTIVES

In March 2003, Sanyo announced a three-year medium-term business plan, which will end in March 2006. In fiscal 2004—the first year of the plan—net income fell below the planned target, and we have been conservative in our goal for fiscal 2005 because of the possible impact of rising raw materials prices and of the appreciation of the yen. Our goals for fiscal 2006, the final year of the plan, are

consolidated net sales of ¥3 trillion, operating income of ¥160 billion, and net income of ¥50 billion. We also are targeting a ¥300 billion reduction in debt.

In fiscal 2005, our major operating issue involves stepping up our efforts to attain the goals of our medium-term plan. We are using the key words of "Fusion," "Speed," and "Accomplishment" to drive those efforts toward achieving high-performance targets. Efforts especially in respect of "Fusion" see us seeking every possible synergy that will contribute significantly to our business. This includes combinations of hardware, software, and systems in product development; mergers or business tie-ups with other companies; collaboration with other industries and with universities and diverse organizations; and the improved integration of human resources. Leveraging the results of such "Fusion" will enable us to supply value-added products that generate surprise and excitement in the market.

Overall, we view the rapid changes in our business environment as opportunities. And we are escalating the restructuring of our business to exploit every opportunity that comes our way to thereby reach our performance targets. In the coming year, Sanyo will make further progress in its transformation into a global company that is highly profitable, robust, and aggressive.



Revitalization of the Tokyo Plant

We are working to revive our Tokyo Plant as a competitive manufacturing and development base. To this end, we have initiated a revitalization plan based on the following two measures.

On April 1, 2004, we established a new manufacturing company: Sanyo Tokyo Manufacturing Co., Ltd. This new firm is manufacturing large refrigerators, commercial equipment, and compressors. Sanyo Tokyo Manufacturing is tasked with pursuing dramatic cost reductions and with quickly supplying customers with high-quality products.

In the meantime, we are undertaking a fundamental reform of our Tokyo Plant. With greater efficiency in mind, we are concentrating and relocating operations in the buildings on the site. We also are constructing a new technology development facility whose R&D capabilities will take our development of technology to new heights. This new facility will house the development departments of such high-growth businesses as our optical pickups business and our environmental and bio-tech businesses.

The revitalization of our Tokyo Plant is anticipated to realize increasing income by ¥6 billion in fiscal 2005 and by ¥10 billion in fiscal 2006, respectively.

Capital Investment and R&D

Cumulative earnings before interest, taxes, depreciation and amortization (EBITDA) for the past three years amounted to approximately ¥540 billion (US$5,094 million). Our capital investment, excluding intangibles for the same period totaled about ¥310 billion (US$2,925 million), falling within the scope of EBITDA. In fiscal 2004, EBITDA was ¥209.3 billion (US$1,975 million), compared with capital investment of ¥110.2 billion (US$1,040 million).

We have our efforts to reduce debt over the past few years and the progress that we have made in restructuring our balance sheet to thank for this ability to maintain our financial standards and, indeed, to concentrate our capital investment in batteries, devices, semiconductors, and others. In fiscal 2005, however, we are going to be investing ever-more aggressively for the future, allocating ¥145.0 billion (US$1,368 million) for property, plant and equipment and ¥147.0 billion (US$1,387 million) for R&D. The funds for property, plant and equipment will principally be invested in expanded production for rechargeable batteries, solar cells, optical pickups, and electronic devices. They also include an allocation for the construction of the new technical development facility at our Tokyo Plant. R&D expenditures, meanwhile, will be mainly toward the development of digital-related products. We are targeting earnings of ¥110 billion (US$1,038 million) on an operating income basis in fiscal 2005. Taking into account the property, plant and equipment and R&D expenditures, this figure is not a low one and represents an EBITDA of ¥255 billion (US$2,406 million). Our investments in the coming year are necessary to achieve sustained growth and are indicative of our switch to a more aggressive management approach.

Major Issues in Fiscal Year 2005

Our efforts in digital technologies in fiscal 2005 involve the launch of LCD television sets, DVD recorders, and other products to extend our lineup of digital consumer electronic products. We have started expanding our sales of digital products. We also are increasing our global production of digital cameras to 18 million units and of cellular phones to 13.5 million units to meet growing market demand. In our LCD projector business, where prices have deteriorated significantly, we are planning to use our technology to develop the rear projector market. And we expect to begin entering into the LCD rear projection television market on a global basis in fairly short order centered on a production base in China.

In fiscal 2004, a major automobile manufacturer began using our highly profitable car navigation systems in its models. This paves the way for the entrance of other of our technologies into the automobile market, where electronics products are increasingly employed. We plan in the year ahead to aggressively develop that market for our semiconductors, LCDs, CCDs, electronics components, rechargeable batteries for HEVs, and other products. To keep up with anticipated demand and to expand our share of other markets, we will boost production as quickly as possible. Our additional production of optical pickups and condensers will primarily come from China, while in Japan we are accelerating our expansion of solar cell production.

We also are looking forward to a fiscal year in which we will be able to see real improvement in our profitability, to fulfill the expectations of our stakeholders, to demonstrate our strong corporate ethics, and to progress further with our environmental preservation activities—all of which are necessary for our sustained growth as a corporate entity.

July 2004

Satoshi Iue

Satoshi Iue, Chairman

Y. Kuwano

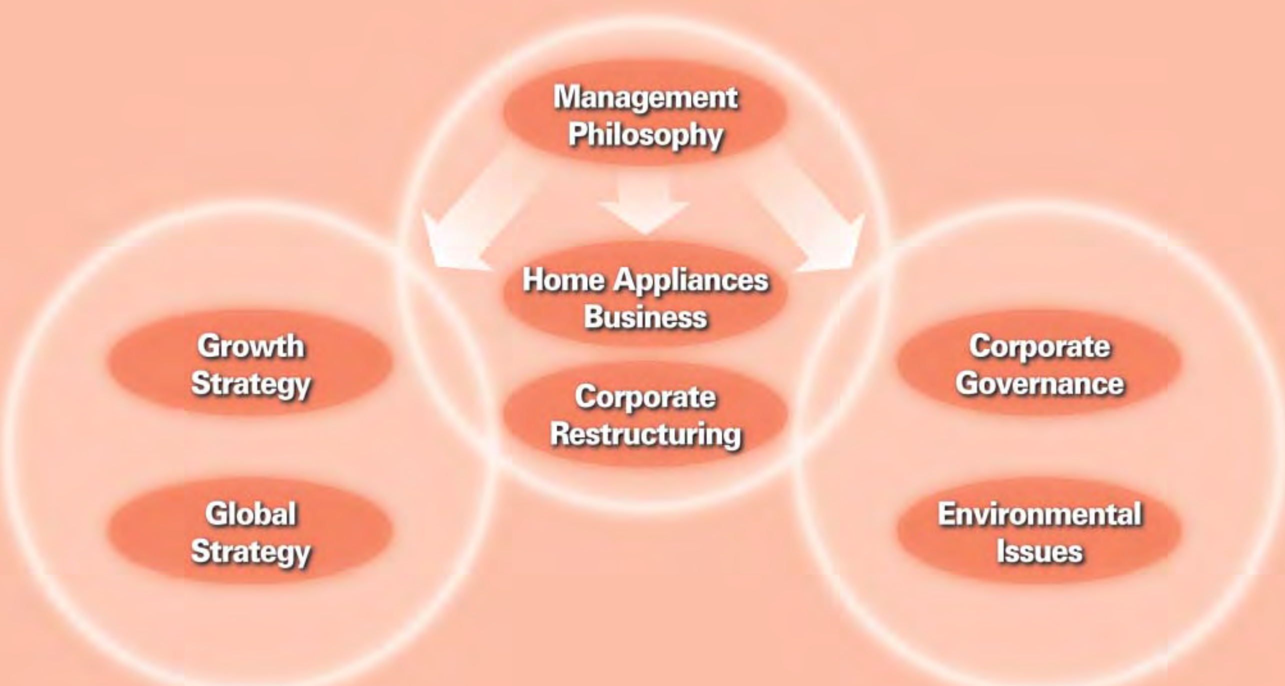
Yukinori Kuwano, President, Chief Executive Officer &
Chief Operating Officer

Discussions with Management—
What Are Sanyo's Strengths and Weaknesses?

In answer to a wide range of questions from investors received over the past year, we have prepared seven responses in Q&A format covering areas most frequently touched upon.

We believe that Sanyo's shift to more aggressive management is the key to making fiscal 2005 a year in which people sense that Sanyo is entering a new growth phase.

We have been stepping up our information meetings for investors and our investor relations activities. We are committed to building a good relationship of trust with our stakeholders.



MANAGEMENT PHILOSOPHY

What are the origins of Sanyo's basic management philosophy?

In Pursuit of the Frontier Spirit

"A founder breaks new ground with some sort of divine inspiration that is out of the ordinary. But, it's a problem when a successor without that charisma takes over. Therefore, in the spirit of 'Second Foundation' and 'Third Foundation,' each day I call out to workers, 'Now, let's begin.'"

Sanyo Electric is often thought of as being a young company. ***Toshio Iue*** is the man who in one lifetime built it up into a general home appliances company. However, today, there are only a handful of people in our corporate group who personally remember the founder.

Satoshi Iue in "My Curriculum Vitae" (Sept. 9, 2003), a feature column in the daily newspaper *The Nihon Keizai Shimbun*

On Establishment—Starting from Scratch

"In December 1946, after leaving Matsushita, I rented a 20-square-meter office in Osaka, where I began to plan out my new business. Until then I had employed large numbers of people to do lots of jobs. Now I was starting small again doing work that truly made me feel good, and I wanted to create something better than had been done before. If these goals could be realized, my employees and I would be very happy, and we would have done something useful for society."

Toshio Iue in "My Curriculum Vitae" (April 12, 1963), a feature column in the daily newspaper *The Nihon Keizai Shimbun*

On the Company Name—the Origin of Sanyo

"The name Sanyo represents the Pacific, Atlantic, and Indian oceans; in other words, the entire world. It also symbolizes the three pillars of people, technology, and service necessary in doing business globally."

Toshio Iue (1961)

On "Chrysanthemum-Growing" Management

"There are, I think, two types of company management: those that resemble flower arrangers (ikebana) and those that are more like chrysanthemum growers. Choosing the most beautiful flowers, snipping them off, sticking them decisively into the vase—and then saying, 'Doesn't that look great,' may be one way to go, but it is not good management. Clearly, management should be more like the individual care and search for perfection found in the hobby of chrysanthemum growing. We must coax the flowers to put down deep roots and nurture them until they are fully grown before harvesting them as single, perfect flowers one by one."

Toshio Iue (1966)

To bloom, single chrysanthemum flowers (new products) need rich soil (materials, components, and assembly technology) in which to put down deep roots. In this sense, Sanyo's patient nurturing of technology over the years has ultimately led to the benefits of the digital consumer product boom.

Toshio Iue

SANYO'S HISTORY

Calendar Year	Events	Presidents
1947	• Sanyo Electric Works founded • Bicycle generator lamp produced, at Hojo Plant, Hyogo Prefecture	**Toshio Iue** (Feb. 1947–Jan. 1968)
1950	• Sanyo Electric Co., Ltd., established • Japan's first plastic radio made, marking the Company's entrance to home electric appliances market • Pulsator-type washing machines introduced	
1954	• Sanyo Electric stock listed on Tokyo Stock Exchange and Osaka Securities Exchange • Transistor radios launched	
1959	• Tokyo Sanyo Electric Co., Ltd., established • Black-and-white television sets, semiconductors, air conditioners, and refrigerators manufactured • HP sealed dual-pole compressor introduced	
1960	• Sanyo Electric Trading Co., Ltd., established • First manufacturing subsidiary established in Hong Kong and first sales subsidiary established in the United States • R&D Center established	
1963	• Tokyo Sanyo Electric stock listed on Tokyo Stock Exchange and Osaka Securities Exchange • CADNICA batteries produced at Sumoto Plant • Color TVs achieved cost hurdle of ¥10,000 per inch	
1966	• Tottori Sanyo Electric Co., Ltd. established	
1967	• Sanyo Electric Vending Machine Co., Ltd., established, a joint venture with Cornelia, of the United States • Prices of color televisions reduced to levels affordable by most families	**Yuro Iue** (Jan. 1968–Jan. 1971)
1969	• Sanyo Electric Credit Co., Ltd., established • Sanyo retail chain (SRC) established, strengthening the Company's marketing network • Home VCR market entered full scale	**Kaoru Iue** (Jan. 1971–Dec. 1986)
1975	• World's first lithium (manganese dioxide lithium) batteries developed, with mass production beginning in 1978	
1979	• World's first amorphous silicon batteries developed, and mass production begins in 1982 • OS-CON aluminum capacitors with semiconductor electrolyte production commenced	
1986	• Sanyo Electric and Tokyo Sanyo Electric merged • Business segment management system introduced	**Satoshi Iue** (Dec. 1986–Dec. 1992)
1990	• Sales of nickel hydride batteries commenced	
1991	• HIT solar cell developed	
1992	• First solar power generation system developed for home-use in Japan	**Yasuaki Takano** (Dec. 1992–Dec. 1998)
1994	• Mass production of cylindrical lithium-ion batteries begun	
1995	• Low-temperature polysilicon TFT LCD developed	
1996	• Fiscal year-end changed from November to March	**Sadao Kondo** (Dec. 1998–Oct. 2000)
1999	• In-house company management system introduced, with eight business segments reorganized into five companies • Business alliance with Eastman Kodak Company set up to jointly develop organic electroluminescent displays • Sanyo Electric Credit stock listed on First Sections of Tokyo Stock Exchange and Osaka Securities Exchange	
2000	• Fiftieth anniversary of founding of Sanyo Electric celebrated	**Yukinori Kuwano** (Oct. 2000–)
2001	• Agreement reached with Ford Motor Company for exclusive supply of battery systems for Ford's hybrid electric vehicles • Nickel-metal-hydride battery business acquired from Toshiba Group • Agreement reached with Sharp Corporation to collaborate in home appliances field	
2002	• Comprehensive agreement reached with Haier Group Company for wide-ranging collaboration • Technological partnership formed with Samsung Advanced Institute of Technology • Organic EL display joint venture formed with Eastman Kodak • Electric vending machine business sold to Fuji Electric Co., Ltd.	
2003	• Initiated major organizational and system reforms, Business Group system and Business Unit system	

GROWTH STRATEGY

What new growth businesses will emerge from Sanyo over the next few years?

High Expectations for Clean Energy: Sanyo's Unique HIT Solar Cells Gaining Momentum

Demand for solar cells is increasing. A growing awareness of environmental issues and the demand for new energy sources to replace fossil fuels is driving solid demand for residential photovoltaic power generating systems in Japan. And Sanyo is among the manufacturers ramping up production to meet demand. We are, in particular, specializing in heterojunction with intrinsic thin-layer (HIT) solar cells, for which we are operating at full production levels. In addition, in January 2004 Sanyo completed a solar cell factory at Kaizuka, Osaka, and is already planning further capital investments to build another factory nearby.

Market Trends

Heightened awareness of environmental issues and the call for new energy sources to replace fossil fuels have dramatically driven up demand for solar cells. Worldwide production of solar cells in fiscal 2003 totaled 562 megawatts (MW). Production rose to 744 MW in fiscal 2004 and is estimated to grow to 960 MW in fiscal 2005. Almost half of this total is produced in Japan. At this stage, there is no clear leader among countries—production is expanding smoothly in Japan, the United States, and Europe.

In Japan, demand from home owners is strong for a variety of reasons. Awareness of the advantages of residential photovoltaic power generating systems is high among consumers, helped no doubt by the strong support provided by government bodies. In addition, the number of houses using only electricity for power has grown. In Europe, consumer and commercial use is increasing, while in the United States commercial use accounts for the greatest and growing portion.

Growth Strategy— Specializing in HIT and Targeting the High-End Market

Other companies are placing their hopes on polycrystalline-based silicon solar cells. Sanyo has differentiated itself in the market with its specialized HIT solar cells. We will aim to establish our HIT solar cells as a high-end brand initially and will tackle the volume market later.

Special Features and Advantages of HIT Solar Cells

HIT solar cells are a combination of monocrystalline and amorphous silicon solar cells. The development of these solar cells was made possible by Sanyo's proprietary amorphous silicon solar cell technology—invented in 1979—and production commenced in 1997.

- Power conversion efficiency is high (less space required for same output)
- Heat resistance is superior (efficiency declines as temperature rises, but the decline is minimized)
- Product is thin compared with competitors' offerings (200 microns)

New 200 W HIT Product Launched in April 2003

With the world's highest energy conversion efficiency for mass-produced single cells, at 19.5%, modules comprising our HIT solar cells also boast a world-class 17.0% conversion rate and are the first in the Japanese industry to produce 200 watts of electric power.

Production

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 (projected)
12 MW	14 MW	30 MW	63 MW	153 MW

Sales Strategy for HIT Solar Cells

Sanyo began to export HIT solar cells to the U.S. market in March 2002. We have increased production in Mexico and in Japan to expand market share in the United States. In Europe, we have started sales in the solid demand market of Germany and are getting full-scale sales under way in the United Kingdom, Spain, the Netherlands, and other countries.

Rechargeable Batteries for HEVs

The battery systems for hybrid electric vehicles (HEV) are one of the promising fields in the rechargeable battery business. Ford's first HEV, the Ford Escape Hybrid planned to commence production in 2004, is expected to employ a Sanyo battery system. We aim to become one of world's top suppliers of battery systems for HEVs.

Rigorous Quality Control Takes Every Imaginable Condition into Account

One of the new business fields that Sanyo has its eye on is the automobile industry. Leading the way for our entrance into the market is our HEV battery system, for which we are now in the final stages before shipment.

Automobile components must satisfy the strict standards and specifications of automobile manufacturers in all aspects. The industry's measure is the QS-9000 quality system certification, which emphasizes extremely high margins of safety in assessing quality.

Sanyo's HEV battery system for the Ford Escape Hybrid comprises 200 identical high-performance nickel-metal-hydride batteries. Those batteries are linked by safety, temperature-control, and other components.

Among our requirements for our core HEV battery system is a useful life of either 10 years or 150,000 miles. In other words, the system should be as durable as the vehicle itself. And the system should run under all conditions, including harsh weather and rough driving conditions.

To prove that our HEV battery system meets expectations, significant evaluation testing and data collection is necessary. We simulate a wide range of conditions to analyze the impact of such factors as severe vibration, water, and dust.

Establishing Production and Logistics Systems in Japan and the United States Simultaneously

Sanyo is going to increase the production of its HEV battery system in Japan in fiscal 2005. And the main issue is how to maintain stable production levels. In the United States, we established a technical center at our U.S. base where we will manage logistics and after-sales service for Ford. We also have already built a warehouse near Ford's plant in Missouri. The HEV battery system produced in Japan will be shipped to this warehouse, where the batteries will be charged to ensure their optimum electric power levels before the system's delivery to Ford.

We are working as quickly as possible to establish a supply-chain management system to ensure stable supplies of our product to Ford through the integrated business system used in our rechargeable battery business prior to the start of the planned production of the Escape Hybrid at Ford.

The Escape Hybrid is likely to be a popular car because it boasts low fuel consumption, at approximately 15 kilometers to 17 kilometers a liter, and low exhaust emissions. Japanese and U.S. automobile manufacturers have announced the development of similar hybrid vehicles one after another, suggesting that 2005 will be remembered as year one of the commercial hybrid vehicle. The market for HEVs is forecast to grow to about 1 million units in 2008, and there are now only two companies in the world producing battery systems for HEVs. Sanyo is aiming for a 50% share of the global market for HEV battery systems.

Photo courtesy of Ford Motor Company

■ Carbon Dioxide Compressors

Sanyo has developed a proprietary refrigeration system with possible application in the low- to medium-temperature market.

Compressors that use carbon dioxide (CO_2) as a refrigerant are high-value-added, environmentally friendly components. In addition to being compact, high-performance products, Sanyo's CO_2 compressors employ a new technology that is said to have the greatest potential among existing technologies for practical application in the low- to medium-temperature market. Sanyo plans to substantially expand production of this world-class product in the fiscal year ahead specifically for the low- to medium-temperature market.

Market

In recent years, global warming and the destruction of the ozone layer have become leading environmental issues. In Japan, Europe, and the United States, where there is strong interest in environmental issues, manufacturers are developing applications for CO_2 compressors in home appliances and other equipment because of their environmental advantages.

Production

We expect the high-value-added CO_2 compressor being manufactured at the Tokyo Plant to be a growth engine. At the end of March 2004, our annual production capacity for CO_2 compressors was 100,000 units. We are planning to expand production capacity by 300,000 units in fiscal 2005.

Applications and Issues

Sanyo's "Eco Cute" CO_2 heat pump water heater utilizes the advantages of Sanyo's CO_2 compressors in high-temperature environments. Strong demand potential for such applications among energy-conservation and cost-conscious customers notwithstanding, expense and other issues remain a bar to the widespread marketability of our CO_2 compressors. Sanyo is addressing those issues and intends to lower the cost, expand the market, and bring its CO_2 compressors to the low- to medium-temperature market for air conditioners, refrigerators, and other products.

Sanyo's Advantages

The hermetic CO_2 compressors that Sanyo was the first to develop globally are about half as heavy and big as similar products of other companies and offer volume production cost benefits. Thanks, moreover, to Sanyo's development of a proprietary refrigeration system, its hermetic CO_2 compressors are assessed as having the greatest potential among products in the market for applications in the low- to medium-temperature market.

GLOBAL STRATEGY

What is Sanyo's strategy for overseas business development, especially in China?

Establishment of the International Business Group

The International Business Group was formed to set up an organization able to promote business expansion in overseas markets. Sanyo's domestic business growth may have seen a slowdown—more opportunities lie abroad. To tap those opportunities, we integrated an organization to plan our global business. This function is so important that we established the International Business Group to oversee it as a Business Group instead of merely a head office division. The role of the new business group is to maximize the output of our overseas operations in scale, profitability, and presence. The International Business Group will make aggressive business plans, establish a business structure that can go on the offensive, and tackle any obstructions to its goals.

Sanyo started its overseas operations shortly after its incorporation, true to the origin of the name "Sanyo": the Pacific, the Atlantic, and the Indian oceans. Management is concerned that our presence has been declining in overseas markets, despite having built substantial assets abroad. We need to vigorously and enthusiastically recommit ourselves to growth. The key to success in this respect will be the aggressive use of our overseas assets, especially intangible assets, such as our partnerships, our personal relationships, and our brand name.

Chinese Market

The most important overseas strategic issue the Sanyo Group faces is its China strategy. It could be said that China holds the key to our growth. We need to reconfirm among ourselves the importance of this market and work together in tackling this issue.

Sanyo's History in China

Sanyo had 53 subsidiary and affiliate companies in China, including in Hong Kong, and employed more than 20,000 people in that nation at the fiscal year-end. In fiscal 2004, our sales in China exceeded ¥250 billion (US$2,358 million).

In 1983, when China began its transformation to a market economy, Sanyo established the first company in that country wholly owned by a Japanese corporation. We set that company up in Shenzhen to produce radios and cassette tape recorders. Throughout the 1980s we expanded our operations in southern China. In 1984, we established a joint venture with Shenzhen Huaqiang Holdings Limited. During the 1990s, we extended our operations beyond the south of China into such major cities as Dalian, Shenyang, Beijing, Tianjin, Hefei, and Suzhou.

Leading Company in China in Industrial and Commercial Equipment

In Dalian its well-developed machinery industry infrastructure and Sanyo's close relationship with its local government helped Sanyo establish a company. That company was set up principally to manufacture industrial and commercial equipment, such as absorption chillers and heaters and refrigerated showcases for supermarkets. By introducing products that matched local needs, that company steadily built up its market. Today, it holds a 40% share of China's domestic supermarket showcase market and a 24% share of China's absorption chiller and heater market. Sanyo is in a strong position in China in commercial and industrial equipment.

The Sanyo Group's business strategy in China has been to carefully select businesses and regions to expand into, with top priority on forming a business alliance with a highly reliable local partner. In the commercial equipment field, we have strengthened our partnership with Dailan Bingshan Group Co., Ltd., while steadily building the business. Our operations in Hefei and Suzhou, meanwhile, are manufacturing washing machines, vacuum cleaners, and other home appliances.

We built our manufacturing plant in Shenzhen to export our products overseas in the 1980s. In the 1990s, we shifted our target to local consumers in view of a sharp expansion in the Chinese domestic market.

In 2000, we commenced component production for end-product manufacturers in China. Our lineup spans such electronic devices as lithium-ion, nickel-metal-hydride, and other rechargeable batteries; compressors; and digital consumer products, including third-generation cellular phones, digital cameras, and projection televisions.

In January 2002, Sanyo entered an agreement for a comprehensive business alliance with Haier Group Company, China's largest consumer electronics manufacturer. Through this business tie-up, we plan to develop a strategic partnership covering a broad range of fields. The collaboration is a forum for both companies to make the maximum use of their business resources by sharing their technical, manufacturing, and selling know-how.

The biggest problem in expanding our business in China is our lack of a sales network. We would, of course, prefer to create our own network, but moving quickly to position ourselves in an expanding and diversifying market makes outsourcing management resources through strategic alliances a necessity. We are focusing on expanding into new businesses, such as software and services, from the coastal regions into west central China and other regions of the country.

Developing the Home Appliances Market

Establishing a New Organization to Boost Sanyo's Overseas Presence and to Strengthen the Company's Operations

Our International Business Group is responsible for regional strategies in global business development and is pursuing more efficient and strategic overseas business development. Sanyo HA ASEAN Corporation was founded in Vietnam as a base from which to expand the Home Appliances business in the ASEAN region. In Vietnam and Indonesia, we are mainly concentrating on developing our sales of refrigerators and washing machines, targeting overall growth in our share of the ASEAN market and a stronger brand image. We also are aggressively developing our business in the Middle Eastern and Central Asian markets through our establishment of Sanyo Gulf FZE., in the United Arab Emirates. In these markets, we plan to develop demand by introducing mainly products that have a strong brand image and that match local needs.

HOME APPLIANCES BUSINESS

Does Sanyo plan to continue its Home Appliances business?

Our Basic Stance Is to Continue Our Home Appliances Business

The key to success in manufacturing is to continuously launch new products into the market, aiming for earnings growth. In that sense, giving up our Home Appliances business would lead to the loss of significant business resources and growth potential. Through new products, we propose new lifestyles that lead to the next stage of development. This is the origin of creative manufacturing and of the spirit that has guided Sanyo's development of products since its foundation.

We believe that if we reinforce our product power and improve our production and sales capabilities, there will be ample room for growth in the home appliances market. A look at the global consumer electronics market shows clearly that home appliances are necessities of modern life. By supplying a global standard appliance frame adaptable for local markets we are certain of tapping profitable opportunities in global markets.

We continue to produce our products in Japan because Japan's highly developed market is a rich source of ideas. Feedback from daily users of our products provides important information on the lives and cultural backgrounds of consumers for our product development programs. The expertise and resources gained from our Home Appliances business in Japan would lead us to success in the AV and Information Equipment business and its distribution business in the United States, in the communications and environment businesses in Europe, and in businesses related to products of high potential growth in Asia.

Make Life More Enjoyable and More Convenient through Consumer Electronics

Sanyo has generated new concept products that ushered in improved lifestyles for consumers and continues to pursue concepts for next-generation lifestyles. It has been 50 years since Sanyo washing machines changed the lives of Japanese housewives. Sanyo's mission to create products that customers see as useful and satisfying has remained unchanged since the Company's founding. Unencumbered by traditional thinking, we pursue original R&D. We intend to continue to supply consumers with products that change their lives for the better.

"Products should always be made with the users in mind."
—Toshio Iue

In 1953, Sanyo unveiled its pulsator-type washing machine produced in Japan. The Company brought the product to market at a revolutionary low price through cost reductions achieved by developing its own low-energy-consumption condenser motor and other measures.

The washing machine was designed in response to housewives' demands. It was compact and so took up little room, and its washing action did not damage clothes. And Sanyo marketed the product using the image of the new lifestyle it offered housewives. The entire Company pitched in to sell the product, and with its success Sanyo acquired a good reputation as a first-class washing machine producer. The pulsator-type machine was the foundation for our future success as a consumer electronics manufacturer.

Top Open Drum and Other Innovative Products

Utilizing technology from our commercial appliances, we recently developed and launched the world's first washing machine with steam washer-dryer functions. Our "steam laundry top open drum" features powerful cleaning capabilities, reduced wrinkling during the dryer cycle, and fluffier clothes. We are committed to providing a steady stream of such innovative products, demonstrated by our recent launch of the world's first dishwasher and dryer to use ordinary dishwashing liquid.

In Pursuit of Next-Generation Products

Promoting the popularization of home network consumer electronics.... Giving shape to a convenient and bountiful next-generation lifestyle.

Joint Development of the iReady Network Connectivity Technology for Home Appliances

In December 2003, Sanyo Electric Co., Ltd., Sharp Corporation, Toshiba Corporation, and Mitsubishi Electric Corporation agreed on the joint development of iReady technology specifications to ensure mutual connectivity of their home appliances to Internet-linked networks. Based on the concept of making all home appliances compatible with iReady, the companies will develop an iReady adapter that enables essential communications functions for accessing networks. The adapter will allow the companies to sell low-cost, networking-ready consumer electronics products because they do not have to embed the communications functions.

Previously, the lack of interconnectivity and the high prices of networking-ready consumer electronics products have prevented greater penetration of the market. By removing these obstacles, the companies hope to achieve quick development of the networking-ready consumer electronics market. The companies expect to have the adapter on the market in about one year. In the meantime, the companies are inviting other manufacturers at home and abroad to become involved in the project to further push down the launch price of the adapter and thereby promote its widespread use.

Home Network Integration Technology Development in Progress

Sanyo has developed home networking integration technology that enables a wide variety of Internet-ready devices with different technical specifications to be hooked up to the Internet. Among others, the list of devices includes networking-ready home appliances, AVCs, fixtures, and sensors. The technology is undergoing practical tests in the state-of-the-art IT model homes being designed by Sanyo Homes Corporation. Sanyo aims to provide home owners with a total lifestyle solution for a comfortable home environment and has introduced various measures to implement IT in homes.

We began our home networking development project in the belief that better technology was needed to enable interconnectivity to broaden the scope of the networks that could be supplied to customers. In addition, we felt that the technology should be able to cope with future system extensions and the diversification of services. Taking advantage of practical test results obtained from our model homes, we are proceeding toward our goal of introducing the technology in a Sanyo Homes' model home in about one year. We are also planning to aggressively market the technology to other home builders.

CORPORATE RESTRUCTURING

What is Sanyo's focus and selection in business development and structural reforms?

1992–1993 Structural Reforms

President: • Yasuaki Takano succeeded Satoshi Iue

Management: • Introduced Business Group system

• 8 business headquarters became business headquarters with completely independent profit centers and the seamless integration of product lines, from R&D to sales

Head Office: • 7 divisions and 36 departments downsized to 15 departments and 2 sections and head office staff reduced by 350 people

Operations: • Production of AV equipment, TVs, VCRs, and audio equipment almost completely shifted overseas

• Reduced product selection in electronics components division for semiconductors and others

Workforce: • Cut workforce 10% on a nonconsolidated basis over three years starting in fiscal 1993

1999–2000 Management Reforms

President: • Sadao Kondo succeeded Yasuaki Takano

Management: • Officer system introduced

• Board of directors reduced from 27 members to 12 members and 24 executive officers newly appointed

• Business headquarters company system introduced

• 8 business headquarters reorganized into 5 business group companies and results-linked salary system introduced

Head office: • 13 departments and 2 sections downsized to 5 departments and 1 section and head office staff reduced from 1,200 employees to 500 employees

Operations: • Overseas production network for AV equipment, TVs, VCRs, and audio equipment almost completed

• Reduced product selection of low-priced air conditioners and refrigerators

• Ceased small-scale businesses, such as personal computers

Workforce: • Cut domestic workforce 10% on a Group basis over three years starting in fiscal 1999

2003 Structural Reforms

Fiscal Year 2006 Medium-Term Business Plan Targets

• Net sales of ¥3 trillion, operating income of ¥160 billion, net income of ¥50 billion

• Reduce debt by ¥300 billion over three years

Management: • Introduced 4 Business Groups: Consumer, Commercial, Components, and Service Groups

• Introduced Business Unit system and BU leader system

• Introduced new executive officer system, positioning an executive officer in each in-house company and introducing a limited term of office

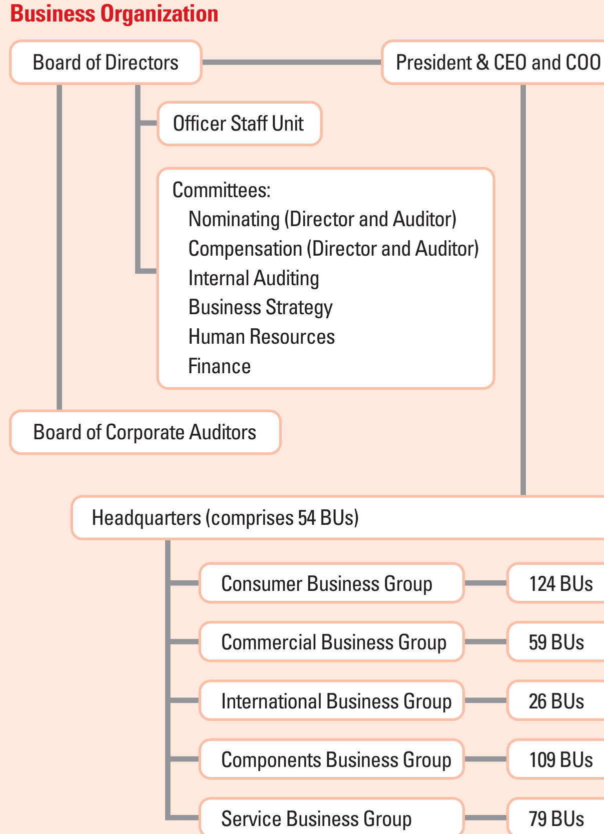
Head office: • Reorganized head office functions into Strategy Headquarters and Staff Unit

Operations: • Ashikaga Plant (air conditioners) and Hojo Plant (vacuum cleaners and others) closed and production reduced at Shiga Plant

2004 Structural Reforms

Management: • Business Groups expanded to five (International Business Group added)

Business Organization



(As of April 1, 2004)

Structural Reform of Home Appliances Business

1998–1999

Air-conditioner business:
Reorganized into subsidiary and restructured

Refrigerator business:
Yodogawa Plant closed in 2000 and operations integrated into Tokyo Plant in Gunma Prefecture

Washing machine business:
Business alliance with Maytag Corp., of the United States (washing machines, vacuum cleaners, cooking appliances)

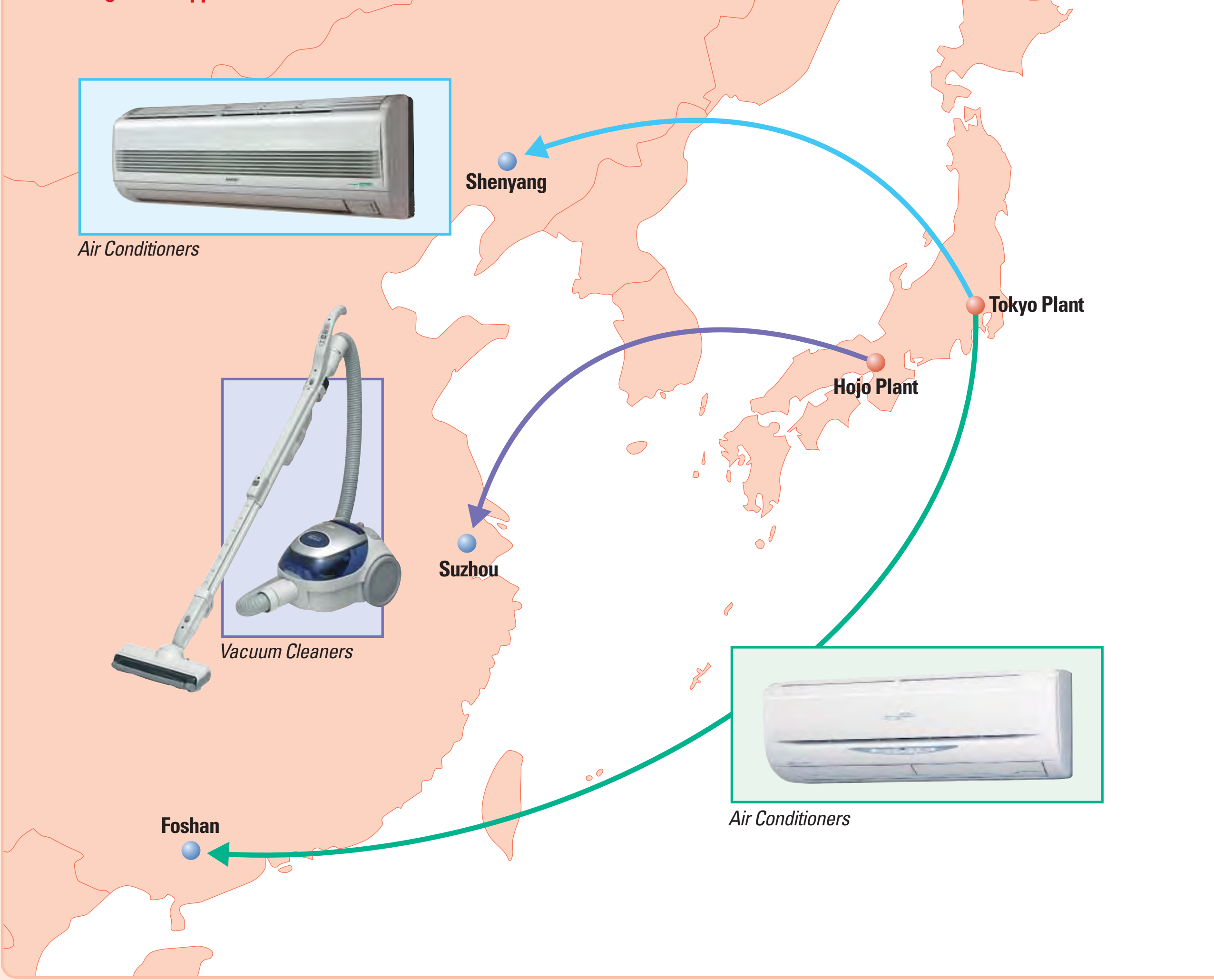
Microwave oven business:
Closed plant in United Kingdom

Other small appliances businesses:
Product lines reduced

2002–2003

Plant	Staff Before Reform	Main Products	Reforms
Tokyo Plant	3,000	Refrigerators	Shifted production of small and medium-sized models overseas
		Compressors	Partially shifted production to China
		Consumer air conditioners	Production completely shifted overseas
Ashikaga Plant	400	Commercial air conditioners	Plant closed, production integrated into Tokyo Plant
Hojo Plant	600	Vacuum cleaners	Production ceased, plant closed
		Small electric appliances	Only R&D function continued, but reorganized

Shifting Home Appliances Production to China



How does Sanyo's corporate governance system work?

Basic Stance

Sanyo's management philosophy states, "We are committed to becoming an indispensable element in the lives of people all over the world." To realize this philosophy, we have established a Work Standard that should be respected in all corporate activities by all officers and employees of the Sanyo Group. "Quality Work to Be Proud of the World Over" is the underlying philosophy of the Sanyo Group Work Standard, which is stated as follows:

- We work with integrity. (**Integrity**)
- We anticipate what will satisfy our customers. (**Customer Oriented**)
- We single-handedly open up new eras. (**Creativity**)
- We create a workplace permeated with an aura of freedom and candid exchange of views. (**Mutual Trust**)
- We maximize efficiency in business management and distribute profits on the basis of fairness and equity. (**Social Commitment**)

Behind this standard lies our desire to achieve such excellence in our work that we win Sanyo worldwide recognition. To that end, we carry out our business activities in a spirit of challenge and with gratitude for the opportunity and always with a global perspective in mind. In all our efforts we make every attempt to comply with laws and regulations to perform sound business activities. And we are, in fact, taking steps to further improve and strengthen our corporate governance.

Progress with Specific Measures

Directors and Board of Directors

In June 1999, we strengthened the monitoring and supervisory functions of our board of directors and our business execution capabilities by introducing an officer system and by appointing outside directors as board members. We also reduced our board of directors from 27 directors to 13 directors.

In April 2004, Sanyo equalized in number the ratio of the board members—i.e., the six directors, including the chairman of the board and the outside directors, who are devoted to monitoring and supervisory roles and the six directors, including the head of the Business Groups who serve concurrently in overseeing for business execution—in order to raise management transparency. Therefore, the business execution activities are strictly monitored by this governance system.

To speed up decision making and to optimize decisions on important business items delegated by the board, we established an Executive Officer Committee that comprises the CEO & COO, and other standing senior and executive officers. This committee works with the All Officers Meeting and the Business Unit Leader Meeting in seeking opportunities to boost the company management ability of the Sanyo Group. In addition, we have independent directors, including three outside directors. Our board of directors monitors the items provided by the applicable laws, regulations, and articles of incorporation and makes important business decisions while also supervising the respective business performances of directors and operating officers who have been delegated authority by the board of directors.

Auditors and the Audit Committee

The Company has appointed four auditors, two of whom are outside auditors. Our auditors sit in on meetings of our board of directors and on other important meetings. They also audit the operations and assets of the businesses that directors are responsible for.

Special Committees

The following special committees have been established under the board of directors and submit various proposals to the board from each technical point of view:

- Nomination Committee (convenes as necessary)
  Proposes to the board candidates for director and executive officer. A highly capable individual from outside the Company acts as the committee chairman.
- Compensation Committee (convenes as necessary)
  Proposes to the board director and executive officer compensation. The committee chairman and at least half of the members of the committee are highly capable individuals from outside the Company.
- Internal Audit Committee (holds meetings every other month in principle)
  Promotes compliance management and reports important issues to the board.
- Business Strategy Committee (holds meetings every other month in principle)
  Provides business strategy and policy from a different perspective than business execution bodies and proposes measures to the board.

- Human Resources Committee (convenes as necessary)
  Considers personnel and labor strategy and policy from a different perspective than business execution bodies and proposes measures to the board.
- Finance Committee (holds meetings monthly in principle)
  Considers financial strategy and policy from a different perspective than business execution bodies and proposes measures to the board.

Internal Control System

Sanyo is strengthening its internal control system, including its business, financial reporting, and compliance systems. The Company has established a network of monitoring system and internal audit divisions at each organizational level—head office, Business Groups, and internal division companies—and within its core related companies. Each internal audit division monitors with the common knowledge and subject in order to keep efficient operating.

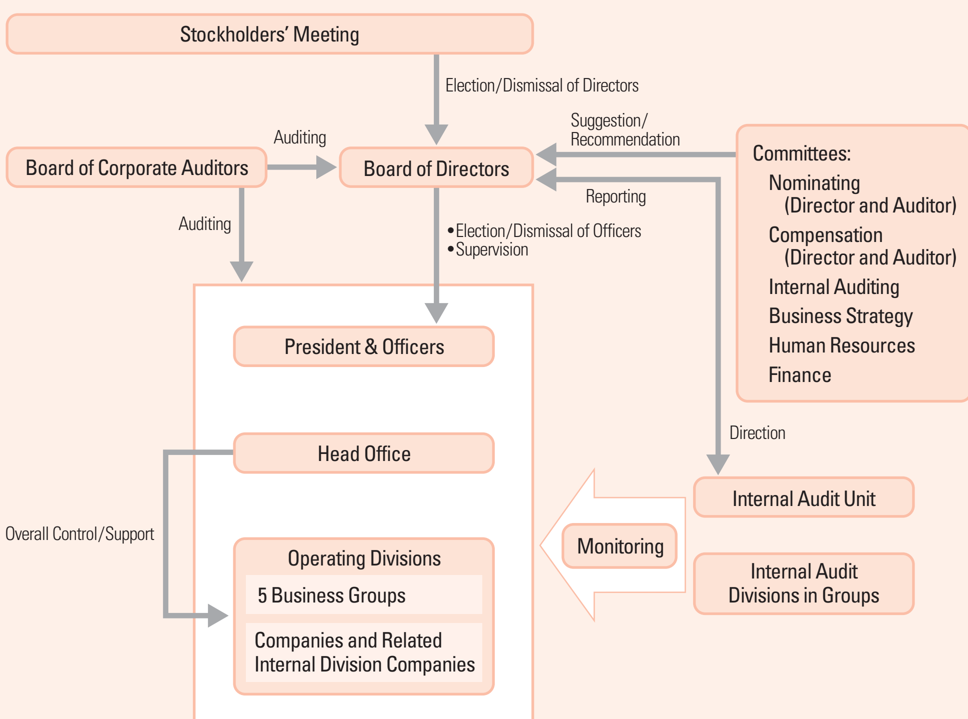
Risk Management System

The Head Office Administration Officer is assigned as Chief Risk Officer and under his direction, the CSR Unit at our head office controls and adjusts the overall risk management of the Sanyo Group. We are strengthening our risk management capabilities by raising awareness of risk issues and the need to adhere to uniform risk policies. Business departments and sections at head office, meanwhile, strictly manage risk by measuring and assessing it for each of the areas they are responsible for and by implementing measures to prevent or minimize risk overall.

Strengthening the Risk Management System

We have completely revised the existing Risk Management Promotion Rules which are the basic rules for Sanyo Group risk management. In addition to clearly outlining the measures to strengthen our risk management, the revised rules lay out in an integrated manner the steps to be taken in an emergency in order to maintain the essential functions of our organization and achieve the earliest recovery to full normal operations. To strengthen our crisis management system, we have prepared concrete steps and a flowchart of the conducts to be taken by all employees in a crisis.

Organization Chart



(As of April 1, 2004)

Board of Directors (12 members)

Satoshi Iue
Sadao Kondo
Yukinori Kuwano
Toshimasa Iue
Yoichiro Furuse
Nobuaki Kumagai
Tomoyo Nonaka
Louis E. Lataif
Sunao Okubo
Hiromoto Sekino
Eiji Kotobuki
Tadahiko Tanaka